NORD RESOURCES CORP
Form 10QSB
November 13, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

[X] Quarterly Report Under Section 13 or 15(D) of the Securities Exchange Act of 1934
for the quarterly period ended **September 30, 2006**

[ ] Transition Report Under Section 13 or 15(D) of the Securities Exchange Act of 1934
for the transition period from _____ to _____

Commission File Number: **0-26407**

NORD RESOURCES CORPORATION

(Name of small business issuer in its charter)

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

(520) 292-0266
Issuer's telephone number

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **33,963,043 shares of common stock as of October 31, 2006.**

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

NORD RESOURCES CORPORATION

Quarterly Report On Form 10-QSB
For The Quarterly Period Ended September 30, 2006

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FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-QSB contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this quarterly report include, among others, 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 , the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined in our annual report on Form 10-KSB for the year ended December 31, 2005, and the amendments thereto, this quarterly report on Form 10-QSB, and, from time to time, in other reports that we file with the Securities and Exchange Commission (the SEC). These factors may cause our actual results to differ materially from any forward-looking statement. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

The following unaudited condensed consolidated interim financial statements of Nord Resources Corporation (the Company) are included in this Quarterly Report on Form 10-QSB:

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NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2006
(Unaudited)

ASSETS		
Current Assets:		
Cash and cash equivalents	$	1,620,317
Notes receivable, related entity		50,000
Accounts receivable		30,205
Other receivables		87,500
Debt issuance costs, net of accumulated amortization		49,000
Prepaid expenses and other		107,292
Total Current Assets		1,944,314
Property and Equipment, at cost:		
Property and equipment		3,952,975
Less accumulated depreciation and amortization		(1,316,006)
Net Property and Equipment		2,636,969
Total Assets	$	4,581,283

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2006
(Unaudited)
(Continued)

LIABILITIES AND STOCKHOLDERS DEFICIT		
Current Liabilities:		
Accounts payable	$	1,075,232
Accrued expenses		1,969,862
Current maturities of long-term debt		5,672,325
Current maturity of capital lease obligation		18,750
Total Current Liabilities		8,736,169
Long-Term Liabilities:		
Capital lease obligation, less current maturity		17,187
Accrued reclamation costs		177,456
Total Long-Term Liabilities		194,643
Total Liabilities		8,930,812
Commitments and contingencies		
Stockholders Deficit:		
Common stock: $.01 par value, 50,000,000 shares authorized,		
33,943,043 shares issued and outstanding		339,431
Additional paid-in capital		85,365,297
Accumulated deficit		(90,054,257)
Total Stockholders Deficit		(4,349,529)
Total Liabilities and Stockholders Deficit	$	4,581,283

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 NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Unaudited)

	2006	2005
Net sales	$ -	$ -
Operating expenses (includes stock-based compensation expense of $839,499 and $587,420 for 2006 and 2005, respectively)	4,732,821	2,166,788
Depreciation, depletion and amortization	62,510	62,511
Loss from operations	(4,795,331)	(2,229,299)
Other income (expense):		
Interest expense	(1,371,786)	(903,426)
Gain on investments, net	2,020,739	300,003
Miscellaneous income	270,904	19,268
Total other income (expense)	919,857	(584,155)
Loss before income taxes	(3,875,474)	(2,813,454)
Provision for income taxes	-	-
Net loss	$ (3,875,474)	$ (2,813,454)
Net Loss Per Basic and Diluted Share of Common Stock:		
Weighted Average Number of Common Shares Outstanding	33,532,891	27,874,657
Net loss per share of common stock	$ (0.12)	$ (0.10)

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 SEPTEMBER 30, 2006 AND 2005
(Unaudited)

	2006	2005
Net sales	$ -	$ -
Operating expenses (includes stock-based compensation expense of $175,483 and $(1,000) for 2006 and 2005, respectively)	2,056,951	643,573
Depreciation, depletion and amortization	20,837	20,837
Loss from operations	(2,077,788)	(664,410)
Other income (expense):		
Interest expense	(300,552)	(549,309)
Gain on investments, net	1,900,000	300,003
Miscellaneous income	124,095	41,964
Total other income (expense)	1,723,543	(207,342)
Loss before income taxes	(354,245)	(871,752)
Provision for income taxes	-	-
Net loss	$ (354,245)	$ (871,752)
Net Loss Per Basic and Diluted Share of Common Stock:		
Weighted Average Number of Common Shares Outstanding	33,903,478	28,092,157
Net loss per share of common stock	$ (0.01)	$ (0.03)

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 DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006
(Unaudited)

	Common Stock		Additional Paid-in	Accumulated	Total Stockholders
	Shares	Amount	Capital	Deficit	Deficit
Balance at December 31, 2005	30,425,975	$ 304,260	$ 84,131,966	$ (86,178,783)	$ (1,742,557)
Comprehensive loss:					
Net loss	-	-		(3,875,474)	(3,875,474)
Comprehensive loss					(3,875,474)
Common stock and stock options issued for Coyote Springs	83,844	838	48,512	-	49,350
Common stock issued to settle outstanding claims	46,753	468	36,456	-	36,924
Exercise of stock options	2,700,000	27,000	27,000	-	54,000
Compensation expense from issuance of stock options	-	-	503,489	-	503,489
Compensation from issuance of Deferred stock units	-	-	90,624	-	90,624
Common stock issued in private placement	80,000	800	27,200	-	28,000
Warrants issued in connection with bridge loan	-	-	260,729	-	260,729
Common stock issued for services	606,471	6,065	239,321	-	245,386
Balance at September 30, 2006	33,943,043	$ 339,431	$ 85,365,297	$ (90,054,257)	$ (4,349,529)

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 NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(Unaudited)

	2006	2005
Cash Flows From Operating Activities:		
Net loss	$ (3,875,474)	$ (2,813,454)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	62,510	62,511
Accretion expense on accrued reclamation costs	11,976	11,095
Amortization of debt issuance costs	483,791	384,029
Accretion of discount on debt	500,481	180,628
Write-off of deferred offering costs	397,803	-
Write-off of deposit on abandoned financing	50,000	-
Stock option mark to market adjustment	26,250	455,000
Realized loss on copper put options	142,738	-
Issuance of common stock for services rendered	336,010	132,420
Issuance of stock options for services rendered	477,239	-
Issuance of stock to settle outstanding claims	-	159,366
Realized gain on sale of securities held for trading	(261,712)	-
Proceeds from sale of securities held for trading	1,729,391	-
Beneficial conversion feature recorded as interest expense	1,722	91,766
Changes in assets and liabilities:		
Accounts receivable	(117,705)	-
Other assets	(118,078)	(23,262)
Accounts payable	144,508	(33,653)
Accrued expenses	854,618	507,896
Net Cash Provided (Used) By Operating Activities	846,068	(885,658)
Cash Flows From Investing Activities:		
Decrease in restricted cash	126,063	-
Purchase of copper put options	(56,252)	-
Capital expenditures	(109,068)	-
Net Cash (Used) By Investing Activities	(39,257)	-
Cash Flows From Financing Activities:		
Deferred offering costs	(245,805)	(158,334)
Debt issuance costs	(161,065)	(15,861)
Principal payments on notes payable	-	(11,804)
Proceeds from issuance of notes payable	1,011,242	425,000
Principal payments on capital leases	(14,063)	(14,062)
Proceeds from issuance of common stock	82,000	-
Net Cash Provided By Financing Activities	672,309	224,939
Net Increase (Decrease) in Cash and Cash Equivalents	1,479,120	(660,719)

Cash and Cash Equivalents at Beginning of Period		141,197		665,828
Cash and Cash Equivalents at End of Period	$	1,620,317	$	5,109
Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	377,567	$	214,742
Income taxes		-		-
Supplemental Disclosure of Non-cash Investing and Financing Activities:				
Common stock issued for purchase of property	$	29,010	$	22,500
Stock options issued for purchase of property		20,340		-
Increase in fair value of available for sale securities		-		132,407
Common stock issued in connection with debt facilities		-		471,000
Warrants issued in connection with debt facilities		260,729		418,136
Convertible note issued in connection with rescission of stock option		-		35,000
Beneficial conversion feature on convertible notes issued		-		25,000
Common stock issued for settlement of accounts payable		36,924		-

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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 and nine months ended September 30, 2006 are not necessarily indicative of results of operations that may be expected for the year ending December, 31, 2006. The Company recommends that this financial information be read in conjunction with the complete financial statements included in the Company s Annual Report on Form 10-KSB for the year ended December 31, 2005, and the amendments thereto, previously filed with the Securities and Exchange Commission.

Reclassification

Certain financial statement line items for the three and nine months ended September 30, 2005 have been reclassified to conform with the presentation in the current period.

2. BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company s continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing to resume mining operations at Johnson Camp Mine, and to produce copper to sell at a level where the Company becomes profitable. The Company s continued existence is dependent upon its ability to achieve its operating plan.

On October 23, 2006, the Company entered into an agreement and plan of merger (the Merger Agreement) with Platinum Diversified Mining, Inc. (Platinum), Platinum Diversified Mining USA, Inc. (Platinum USA) and PDM Merger Corp. (Merger Sub). The Company plans on completing the Merger. However, if the Merger is not consummated, management s plans include the following:

1. Re-opening of the Johnson Camp Mine subject to raising the necessary capital and ultimately achieving profitable operations.

2. Taking over and expanding the existing decorative and structural stone operation on the Johnson Camp property. The Company s current lease arrangements with JC Rock, LLC expires January 31, 2007, and the Company plans to renew the contract on a short term basis until it is ready to take over the operation.

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

3. Undertaking preliminary exploration for mineral deposits at the Coyote Springs and Mimbres properties with the view to determining whether the Company should exercise the Company s options on these properties.

The Company s plans to reopen the Johnson Camp Mine, take over the decorative and structural stone operation, and to undertake preliminary exploration of the Coyote Springs and Mimbres properties are contingent on the Company raising sufficient financing. Such financing, if available, is expected to come from a combination of equity and debt financing, and the potential exercise of outstanding common stock purchase warrants and vested options.

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

3. STOCK-BASED COMPENSATION

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

There were no stock option grants to employees of Company during the three months ended September 30, 2005 and 2,250,000 stock option grants to employees of the Company during the nine months ended September 30, 2005. Therefore, if the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under its stock-based compensation plans consistent with the methodology prescribed by the original provisions of SFAS No. 123 the Company s net loss and loss per share would be reduced to the following pro-forma amounts:

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Net loss, as reported	$ (871,752)	$ (2,813,454)
Stock based employee compensation included in net loss, net of tax	(17,500)	455,000
Less stock based compensation determined under fair value based methods for all awards, net of tax	-	(659,661)
Pro Forma Net Loss	$ (889,252)	$ (3,018,115)
Net loss per share of common stock:		
Basic and diluted:		
As reported	$ (0.03)	$ (0.10)
Pro forma	$ (0.03)	$ (0.11)

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All stock options granted prior to January 1, 2006 were completely vested as of that date and had therefore been expensed in accordance with APB No. 25, or the original provisions of SFAS No. 123, as appropriate. There were no stock option grants to employees during the three months ended September 30, 2006; however, 500,000 stock options previously granted to employees were cancelled. During the nine months ended September 30, 2006 the Company granted 1,975,000 and cancelled 500,000 stock options to employees and directors for which $477,239 in compensation expense was recognized.

Consistent with the valuation method utilized by the Company under SFAS No. 123R, the Company is using the Black-Scholes-Merton option pricing model to estimate the fair value of stock options granted. The expected forfeiture rate is based on historical employee turnover rates. The expected term of the options granted is estimated using the formula set forth in Securities and Exchange Commission Staff Accounting Bulletin No. 107. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant. Expected volatility is 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 stock options granted during the nine months ended September 30, 2006:

	Nine Months Ended September 30, 2006
Risk-free interest rate	4.5% to 4.9%
Expected forfeitures	21%
Expected volatility	60% to 90%
Expected dividend yield	0%
Weighted-average volatility	76%
Expected term (in years)	1.5 to 5.5

The Company has granted incentive and non-qualified stock options to its employees and directors under the terms of its 1991 Stock Option Plan and 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. As of September 30, 2006, there were 800,000 outstanding stock options that had not yet vested.

A summary of the Company s stock option activity for the three and nine months ended September 30, 2006 is set forth below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at January 1, 2006	4,739,999	$ 0.25
Granted	2,074,999	0.84
Exercised	(2,700,000)	0.02
Cancelled	(1,175,000)	0.46
Options outstanding at September 30, 2006	2,939,998	$ 0.79

As of September 30, 2006, 2,139,998 of the outstanding stock options were non-qualified, non-plan stock options, 600,000 of the outstanding stock options were non qualified stock options granted pursuant to the

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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2006 Incentive Stock Plan, and 200,000 of the outstanding stock options were incentive stock options granted pursuant to the 2006 Stock Incentive Plan.

Other Stock Based Compensation Information

The following table summarizes information about the Company s stock options as of September 30, 2006:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.02	15,000	2.1	$0.02	15,000	$0.02
0.20 - 0.60	1,874,998	3.8	0.43	1,874,998	0.43
1.05	800,000	9.6	1.05	-	-
1.75 - 2.00	100,000	2.0	1.88	100,000	1.88
3.25	150,000	0.6	3.25	150,000	3.25
$0.02 - 3.25	2,939,998	5.1	$0.79	2,139,998	$0.69

The weighted average fair value of options granted during the nine months ended September 30, 2006 was $0.46.

Compensation Expense

The Company issued 60,000 and 606,471 shares of common stock to employees of the Company during the three and nine months ended September 30, 2006, respectively. The weighted average fair value of common stock issued to employees during the three and nine months ended September 30, 2006 was $0.78 and $0.64 per share.

Total stock based compensation of $175,483 and $839,499 is included in operating expenses for the three and nine months ended September 30, 2006, respectively. Total stock based compensation of $(1,000) and $587,420 is included in operating expenses for the three and nine months ended September 30, 2005, respectively.

Deferred Stock Units

During the three and nine months ended September, 2006, the Company credited a total of 46,464 deferred stock units valued at $36,250, and 114,433 deferred stock units valued at $90,624, respectively, to deferred stock unit accounts maintained for its independent directors pursuant to the Company s 2006 Stock Incentive Plan.

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. 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 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. Outstanding options, warrants and other dilutive securities to purchase 9,484,825 and 6,650,749 shares of common stock for the nine months September 30, 2006 and 2005, respectively, are not included in the computation of diluted loss per share as the effect of the assumed exercise of these options and warrants would be antidilutive.

5. RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

new standard to have a material impact on the Company s financial position and results of operations in connection with the granting of new stock options.

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

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

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

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

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS 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 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company plans to adopt this standard beginning January 2008, and does not anticipate it to have a material impact on the Company s consolidated financial statements.

6. COMMITMENTS

Settlement Agreement With Nicholas Tintor

Nicholas Tintor resigned from the board of directors of the Company effective September 27, 2006. Mr. Tintor had served as a member of the Company s board of directors since February 15, 2006. In addition, Mr. Tintor served as the Company s President and Chief Executive Officer from February 15, 2006 until August 21, 2006.

Subsequent to Mr. Tintor s resignation as a director, Mr. Tintor and the Company entered into a settlement agreement dated September 29, 2006 (the Tintor Settlement Agreement), pursuant to which the Company agreed, in consideration of the execution and delivery by the parties of a mutual general release (the Mutual General Release), to pay Mr. Tintor $233,000 in cash as follows: (a) $70,000 payable no later than October 31, 2006; and (b) the balance of $163,000 payable within seven days following the closing date of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than an aggregate amount of $15,000,000 (including multiple financing transactions between October 1, 2006 and January 7, 2007 where the aggregate amount equals or exceeds $15,000,000), or (ii) a significant corporate transaction which (A) results in a change of control of the Corporation, or (B) involves a sale, lease, exchange or other transfer of all or substantially all of the Company s assets, or a sale, lease, exchange or other transfer by the Company of assets valued at $12,000,000 or greater. If the Company does not close such a financing or corporate transaction prior to January 7, 2007, then the Company will, subject to compliance with any and all applicable securities laws, issue to Mr. Tintor a sufficient number of fully-paid, non-assessable shares to pay the balance of settlement amount, based on the volume-weighted average trading price of the Company s common stock during the ten trading days preceding January 7, 2007.

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Indemnification Agreements With Respect to Lost Stock Certificates

On October 18, 2006, the Company s board of directors has resolved to indemnify American Stock Transfer and Trust Company (AST), the registrar and transfer agent of the Company s common stock, in connection with 320,000 shares of the Company s common stock owned by Stephen Seymour and his spouse, as joint tenants, and 1,575,000 shares of the Company s common stock originally registered in the name of Stephen Seymour, Trustee of the Dan Seymour Trust No. 2. A share certificate representing the 320,000 shares owned jointly by Mr. and Mrs. Seymour was apparently issued by AST but never received by them. The share certificate representing the 1,575,000 shares was issued in error, as those shares should have been registered in the names Stephen Seymour, Kathie Stevens and Louise Seymour, in their respective capacities as the trustees of a private trust constituted on July 27, 1982 (the Trust). AST has required the Company to indemnify it in connection with the issuance of replacement share certificates. Mr. Seymour, in his personal capacity, and Mr. Seymour, Kathie Stevens and Louise Seymour, in their respective capacities as the trustees of the Trust, have agreed to indemnify the Company in connection with the indemnity that the Company has provided to AST.

7. SUBSEQUENT EVENTS

Settlement Agreement with TMD Acquisition Corporation

The Company entered into a settlement agreement (the Settlement Agreement) dated October 18, 2006 with TMD Acquisition Corporation (TMD Acquisition) to settle certain outstanding matters arising in connection with the transactions and circumstances described below.

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

Pursuant to the Settlement Agreement and a related Assignment Agreement dated as of October 18, 2006 between the Company and TMD Acquisition, the Company has taken an assignment of the Acquisition Agreement, and has agreed to reimburse certain expenses in the aggregate amount of $365,000 (the TMD Expenses) and assume certain accounts payable in the aggregate amount of $101,442 incurred by TMD in the preservation of the Opportunity. Although ASARCO's trustee in bankruptcy has sold the Zinc Assets, the Company has instructed counsel to preserve any right of action (the ASARCO Claim) that the Company may have against ASARCO and ASARCO s trustee in bankruptcy.

The TMD Settlement Agreement provides that the Company will reimburse the TMD Expenses upon the earlier of: (a) December 22, 2006, and (b) the closing date of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than the aggregate amount of $25,000,000, or (ii) a significant corporate transaction which results in (A) a change of control of the Company or (B) a sale,

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lease, exchange or other transfer of assets of the Company valued at $12,000,000 or greater, or of all or substantially all of the assets of the Company. If the Company receives any cash payment on account of the ASARCO Claim, the Company is required to first remit such portion of the cash payment to TMD Acquisition as will be required to fully pay the outstanding balance of the TMD Expenses.

The Company has advanced to TMD Acquisition the aggregate amount of $50,000 (evidenced by demand promissory notes dated February 27, 2006 and May 8, 2006, respectively, each in the principal amount of $25,000) to cover certain expenses that TMD Acquisition has incurred in preserving the Zinc Opportunity. The loan is payable to the Company on demand and is to be set-off against the TMD Expenses.

Proposed Merger between the Company and Platinum Diversified Mining, Inc

On October 23, 2006, the Company entered into the Merger Agreement with Platinum, Platinum USA and Merger Sub. Merger Sub is a wholly-owned subsidiary of Platinum USA, which in turn is a wholly-owned subsidiary of Platinum. Platinum has paid a deposit of $500,000 upon signing of the Merger Agreement. The deposit is held in trust by American Stock Transfer & Trust Company pursuant to a deposit escrow agreement that was executed concurrent with the signing of the Merger Agreement.

The Merger Agreement contemplates that the Company will be acquired by Platinum in an all cash merger transaction, pursuant to which Merger Sub will merge with and into the Company, with the Company continuing as the surviving corporation and a wholly-owned subsidiary of Platinum (the Merger). Platinum is a special purpose acquisition corporation organized under the laws of the Cayman Islands on January 12, 2006. It was formed with the purpose of effecting one or more business combinations with unidentified operating businesses in the metals and mining industries. Platinum s stated investment strategy is to invest in the mining industry by acquiring producing assets and/ or developing assets with near term production.

Platinum was admitted to the Alternative Investment Market of the London Stock Exchange (AIM) on March 14, 2006 following the completion of a public flotation of units comprised of common shares and share purchase warrants from which it derived net proceeds of $77.9 million. The net proceeds from the public flotation are currently held in a trust account that is governed by an investment management trust agreement entered into between Platinum and American Stock Transfer & Trust Company. If the Merger is consummated, the trust funds will be released to Platinum upon consummation of the merger, and a portion of such funds will be used to pay the merger consideration to the security holders of the Company.

The Merger will be subject to the approval of the stockholders of each of the Company and Platinum. The Company has agreed to call a special meeting of its stockholders for the purpose of approving the Merger and the Merger Agreement. The Company and Platinum have agreed to use their reasonable best efforts to complete the Merger as early as possible. If the Merger is not completed by February 15, 2007, either party can terminate the Merger Agreement.

The Merger has been approved by a special committee of independent directors of the Company who considered a fairness opinion of an independent financial advisor in reaching their determination.

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Aggregate Merger Consideration

The aggregate merger consideration to be paid by Platinum and Platinum USA on consummation of the Merger will be calculated in accordance with the Merger Agreement based on the following formula:

- the amount of $60,000,000; less
- a holdback amount of $3,000,000; less
- an advance fund of $250,000 to be provided to CuShaman LLC, an entity controlled by Ronald Hirsch, as stockholder representative in connection with the holdback; less
- certain liabilities of the Company as of the effective time of the Merger, including liabilities on account of the Company s corporate debt, certain deferred payments on account of salaries, consultant fees and severance payments and transaction expenses associated with the Merger that Platinum has not agreed to reimburse; plus
- the amount of the Company s cash on closing, plus
- certain expenses for which Platinum has agreed to reimburse the Company, including expenses associated with completing the Merger, subject to specified limits, and expenses associated with the maintenance of the Company s interest in the Coyote Springs property.

The amount of liabilities and cash as of the effective time of the Merger will be based on a balance sheet of the Company to be delivered by the Company to Platinum prior to closing.

At the effective time of the Merger, each share of the Company s outstanding capital stock (including any shares of common stock issued prior to the effective time upon the exercise of options or warrants), other than shares held by dissenting holders who properly exercise appraisal rights under Delaware law, will be automatically converted into:

- the right to receive an amount in cash on closing based on the aggregate merger consideration, without interest and less any applicable withholding taxes, determined in accordance with the Merger Agreement, which is referred to as the per share merger consideration ; and
- a contingent right to receive a pro rata share of the amount remaining, if any, of (i) the $3,000,000 holdback amount after the expiry of a six month holdback period, plus (ii) any remaining amount of the $250,000 advance to CuShaman LLC, as the stockholder representative, which is referred to as the per share net holdback consideration .

The Company estimates that the per share merger consideration will equal $1.20 per share. The Company estimates that the per share net holdback consideration will equal $0.07 per share, prior to deduction of fees and expenses associated with the escrow arrangement for the holdback, if there are no claims for damages made against the holdback amount.

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The Holdback

The holdback amount of $3,000,000 will be held in trust for a holdback period of six months. The funds will be held in trust by American Stock Transfer & Trust Company, the paying agent under the Merger Agreement, pursuant to an escrow agreement to be executed upon consummation of the Merger.

During the holdback period, the holdback amount may be used to indemnify, defend and hold harmless Platinum, Platinum USA and the surviving corporation of the Merger from and against any and all damages arising from (i) inaccuracies in the calculation of the per share merger consideration, (ii) inaccuracies in the closing balance sheet, (iii) breaches by the Company of certain representations and warranties of the Company set forth in the Merger Agreement, including representations regarding the Corporation s capitalization, executive compensation and related party transactions, (iv) costs and expenses connected with the cancellation or termination of certain out-of-the-money stock options, subject to an aggregate limit of $25,000, and (v) costs and expenses connected with the termination of the Company s 401(k) plan, subject to an aggregate limit of $100,000. No claim may be made for damages under paragraphs (i), (ii) or (iii) unless the damages exceed $50,000 in aggregate.

The per share net holdback consideration will be paid by American Stock Transfer and Trust Company as the paying agent upon expiry of the six month holdback period in the event that there are no claims for damages made by Platinum, Platinum USA and the surviving corporation during the holdback period, or if any such claims have been paid out or withdrawn during the holdback period. If there are any claims for damages made by Platinum, Platinum USA and the surviving corporation that are the subject of arbitration proceedings at the time of expiry of the holdback period, the per share net holdback consideration, if any, less the amount of those claims and a reasonable estimate of related expenses will be paid out on the end of the six month holdback period and the remainder, if any will not be paid until a final arbitration award in respect of such claims has been made in the manner contemplated by the escrow agreement.

Decisions regarding claims for damages on behalf of the security holders will be made by CuShaman LLC, as the stockholder representative. The security holders of the Company will be entitled to receive all of the holdback not used to satisfy claims for damages made by Platinum, Platinum USA and the surviving corporation during the holdback period, less fees, costs and expenses of American Stock Transfer and Trust Company as the paying agent. Payment of the per share net holdback consideration will be made upon expiry of the holdback period or upon resolution of all claims for damages, if there are any claims for damages outstanding when the holdback period expires.

Effect of the Merger on Stock Options and Warrants

Platinum has not agreed to assume any of the Company stock option plans or agreements or its share purchase warrants. The Company has agreed to use its best efforts to obtain the consent of each holder of options and warrants to purchase shares of the Company s common stock such that each option and warrant may be cancelled or terminated immediately prior to the effective time of the Merger in consideration for:

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- the right to receive a cash payment upon consummation of the Merger, without interest, equal to (i) the excess, if any, of (A) the per share merger consideration over (B) the per share exercise price of the option or warrant, multiplied by (ii) the number of shares of common stock subject to the option or warrant immediately prior to the effective time, and
- a contingent right to receive a portion of the holdback in an amount equal to (i) the amount of the per share net holdback consideration, multiplied by (ii) the number of shares of common stock subject to the option or warrant immediately prior to the effective time.

Closing Conditions

Consummation of the Merger is subject to satisfaction or waiver (if applicable) of a number of conditions, including:

- the Merger Agreement and the Merger shall have been adopted by (i) the holders of the majority of the outstanding shares of common stock of the Company, and (ii) the holders of the majority of the outstanding shares of common stock of the Company, exclusive of the shares held by Ronald Hirsch and Stephen Seymour, who attend and are entitled to vote at the stockholders meeting; and
- the Merger Agreement and the Merger will have been approved and adopted by the shareholders of Platinum by a resolution passed by 80% or more of the Platinum shares voted at such general meeting. In addition, it is a condition of the Merger Agreement that shareholders of Platinum, exclusive of the founding shareholders of Platinum, holding 20% or more of the issued shares of Platinum shall not have voted against approving the Merger Agreement and the Merger.

In addition, each party s obligation to consummate the Merger is subject to the accuracy of the representations and warranties of the other party and material compliance of the other party with its covenants.

Termination Fee

In certain circumstances, either party may terminate the Merger Agreement, but may be liable to pay a $2 million termination fee to the other party.

Voting Agreements

Ronald A. Hirsch and Steven Seymour have each entered into voting agreements with Platinum USA whereby they have agreed to vote their shares in favor of the Merger. These shares represent approximately twenty six percent (26%) of the Company s currently outstanding shares.

Bonuses to Executive Officers

The Company s board of directors has declared bonuses to the following executive officers for their success in bringing the Company back into compliance with its reporting obligations under section 13 of

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the *Securities Exchange Act of 1934*, as amended; addressing and settling a myriad outstanding issues with various creditors, litigants and other third parties; and generally positioning the Company to seek additional financing or as an attractive takeover target.

Name and Title	Amount of Bonus
Ronald Hirsch, Chairman	$300,000
Erland Anderson, President and Chief Executive Officer	$300,000
John Perry, Senior Vice President, Secretary, Treasurer and Chief Financial Officer	$300,000

The bonuses have been awarded and are payable when the Company has sufficient funds to make the payments, as shall be determined in the sole discretion of the board of directors.

Amendment to Terms of Certain Outstanding Options and Warrants

The Company has entered into amendment agreements dated October 5, 2006 with the holders of a total of 1,939,998 issued and outstanding stock options, and the holders of a total of 5,370,394 issued and outstanding stock purchase warrants. Under the amendment agreements, all of the provisions of the respective option agreements and warrant certificates governing the treatment of such options and warrants in the event of a transaction that would constitute an arm s length Corporate Transaction have been replaced and superseded in their entirety with provisions which give to the Company the authority, in its absolute discretion, exercisable either in advance of or at the time of any actual or anticipated Corporate Transaction, to either:

(a) negotiate with the counterparty to the Corporate Transaction to have each holder s outstanding options or warrants, as the case may be, either (i) assumed by the surviving corporation, the successor corporation or its parent corporation, as applicable (a Successor Corporation), or (ii) substituted by an equivalent option, warrant or other right, as the case may be, to be issued by a Successor Corporation; or

(b) cancel each holder s outstanding options or warrants, as the case may be, in exchange for a right of the holder to receive a payment in cash or property equal to: (i) the per share consideration to be received by the common stockholders of the Company as a result of the Corporate Transaction; (ii) minus the exercise price of the holder s outstanding options or warrants, as the case may be; (iii) multiplied by the number of shares of common stock of the Company underlying the holder s options or warrants, as the case may be.

Corporate Transaction is defined for these purposes to mean the consummation of either (i) a merger or consolidation of the Company with or into any other corporation, entity or person or (ii) a sale, lease, exchange or other transfer in one transaction or a series of related transactions of all or substantially all the Company s outstanding securities or all or substantially all the Company's assets.

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Authorized Shares and Reverse Stock Split

At the annual meeting of stockholders held on October 18, 2006, the Company s stockholders approved an amendment to the Company s Amended Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 100,000,000. The Company s stockholders also approved a reverse stock split of the Company s issued and outstanding shares of common stock at a ratio within the range from one-for-two to one-for-six. The Company has not yet taken any steps to: (a) increase the number of authorized shares of common stock from 50,000,000 to 100,000,000; or (b) effect a reverse stock split of the Company s issued and outstanding shares of common stock. The Company s board of directors has discretion to elect not to proceed with these changes.

Item 2. Management s Discussion and Analysis

The following discussion of our financial condition, changes in financial condition and results of operations for the nine months ended September 30, 2006 should be read in conjunction with our unaudited consolidated interim financial statements and related notes for the nine months ended September 30, 2006.

The following 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 below under the heading Risk Factors .

Overview of Our Business

The Johnson Camp Property

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

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

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

We continued production of copper from ore that had been mined and placed on leach pads until August 2003 when we placed the Johnson Camp Mine on a care and maintenance program due to weak market conditions for copper at that time. Although mining ceased in 1997, the Johnson Camp leach pads and SX-EW operation remained active until 2003, producing approximately 6.7 million pounds of copper

cathode from residual copper in the heaps over the period 1998 to 2003. Currently, the existing Johnson Camp leach dumps are being rinsed in a limited manner with the goal of managing solution inventories.

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

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

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

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

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

The initial capital costs to be incurred within the first two years of start-up are expected to exceed $22 million (including working capital), and relate primarily to the rehabilitation of solution ponds, refurbishment and a modest expansion of the copper production facility, and the purchase and installation of crushing and conveying equipment. The capital costs to be incurred in the following two years are expected to be approximately an additional $9 million (including working capital) and will be attributable to the construction of new leach pads, new ponds and pipe, and the infrastructure for conveyor relocation.

In light of the foregoing, our management has been focused on positioning our company to effect a public offering of its securities, while at the same time considering our strategic alternatives. In that regard, in

addition to obtaining the update to the 2000 feasibility study on the Johnson Camp Mine, our management has worked to preserve our assets, in part by seeking and obtaining secured bridge financing from Auramet Trading, LLC (Auramet) in October 2005 and from Nedbank Limited (Nedbank) in November 2005. Amidst these efforts, it became apparent that, with the average price of copper remaining relatively high throughout this period, our company could be attractive to better-financed mining entities as a takeover target. On March 29, 2006, we were advised by Auramet that Platinum Diversified Mining, Inc. (Platinum), might be interested in acquiring an interest in our company.

On October 23, 2006, after several months of negotiations, we entered into an agreement and plan of merger (the Merger Agreement) with Platinum, Platinum Diversified Mining USA, Inc. (Platinum USA) and PDM Merger Corp. (Merger Sub). Merger Sub is a wholly-owned subsidiary of Platinum USA, which in turn is a wholly-owned subsidiary of Platinum.

The Merger Agreement contemplates that we will be acquired by Platinum in an all cash merger transaction, pursuant to which Merger Sub will merge with and into our company, with our company continuing as the surviving corporation and a wholly-owned subsidiary of Platinum (the Merger). The consummation of the Merger is subject to satisfaction or waiver (if applicable) of a number of conditions, including:

- the Merger Agreement and the Merger shall have been adopted by (i) the holders of the majority of the outstanding shares of common stock of the Company, and (ii) the holders of the majority of the outstanding shares of common stock of the Company, exclusive of the shares held by Ronald Hirsch and Stephen Seymour, who attend and are entitled to vote at the stockholders meeting; and
- the Merger Agreement and the Merger will have been approved and adopted by the shareholders of Platinum by a resolution passed by 80% or more of the Platinum shares voted at such general meeting. In addition, it is a condition of the Merger Agreement that shareholders of Platinum, exclusive of the founding shareholders of Platinum, holding 20% or more of the issued shares of Platinum shall not have voted against approving the Merger Agreement and the Merger.

In addition, each party s obligation to consummate the Merger is subject to the accuracy of the representations and warranties of the other party and material compliance of the other party with its covenants. If the Merger does not proceed, we will be required to refocus our attention on positioning our company to resume mining and leaching operations at the Johnson Camp Mine.

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

We believe the resumption of mining activities at the Johnson Camp mine is warranted based on the recent increase in the market price of copper. The market for copper is cyclical and over the last fifteen years the price of copper has fluctuated between $0.60 and $3.98 per pound. In its most recent cycle the

price fell to a low of $0.62 per pound in 1999, due primarily to increased supply with the commissioning of several new mines while demand decreased, largely due to a reduction of consumption in Asia. The price of copper remains relatively high: the average price of copper was $3.40 per pound in October 2006 (as reported by the London Metal Exchange). This increase in the price of copper since 1999 is due to an increase in worldwide demand for copper. We believe that the strengthened market for copper has created an opportunity for us to reactivate the Johnson Camp Mine in the event that the Merger does not proceed, despite the anticipated high costs that this will involve. However, we caution investors that the market price for copper has historically been cyclical and there is a significant risk that copper prices will not remain at current high levels.

Options to Acquire Interests in Other Properties

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

Proposed Landscape and Aggregate Rock Operation

In addition to reactivating the Johnson Camp Mine, we have also been planning on expanding the existing decorative and structural stone operation on the Johnson Camp property. We set up our subsidiary, Cochise Aggregates and Materials, Inc. to produce and market landscape and aggregate rocks derived from overburden piles on the Johnson Camp property. However, we are currently leasing this landscape and aggregate rock operation to JC Rock, LLC. Our current contract expires January 31, 2007, and we have been planning to renew the contract on a short term basis until we are ready to take over the operation. JC Rock has the right to remove the landscape and aggregate rock from the Johnson Camp property and pays us a royalty of $1.50 per ton, subject to reduction to $1.00 per ton where the wholesale price realized by JC Rock upon resale is less than $6.00 per ton. Through Cochise Aggregates and Materials Inc., we have been planning to take over this landscape and aggregate rock operation from JC Rock within the first year of bringing the Johnson Camp Mine into operation.

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

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

We have been planning on building a new screening plant or buying the existing screening plant from JC Rock. If the Merger does not proceed and we eventually execute on our plans to take over the landscape and aggregate rock operation, we expect to incur initial capital costs of approximately $500,000 to acquire the screening plant, and an additional $100,000 in installation costs if we do not buy the existing screening plant from JC Rock. In addition, we must obtain an air quality permit from the Arizona Department of Environmental Quality (ADEQ) for the screening plant, whether we build a new screening plant or buy the existing one.

Projected operating costs for the landscape and aggregate rock operation are estimated to be approximately $93,874 per month or $4.69 per ton (based on projected monthly production of 20,000 tons per month).

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

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

Our Plan of Operations

Our plan of operations has been to pursue the financing that will be necessary to enable us to resume mining and leaching operations at the Johnson Camp Mine, with the view to producing approximately 25 million pounds of copper per year. If the Merger does not proceed, we will have to resume our efforts to raise this financing. If we are successful in raising the required financing, we plan to complete the mine development plan outlined in the updated feasibility study prepared by Winters, Dorsey & Company.

In order to resume full mining operations, we will have to complete the mine development plan outlined in the updated feasibility study. The initial capital costs to be incurred within the first two years of startup are expected to exceed $22 million (including working capital), and relate primarily to the rehabilitation of solution ponds, refurbishment and a modest expansion of the copper production facility, and the purchase and installation of crushing and conveying equipment. The capital costs to be incurred in the following two years are expected to be approximately an additional $9 million (including working capital) and will be attributable to the construction of new leach pads, new ponds and pipe, and the infrastructure for conveyor relocation. These figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs.

Our mine operating plan calls for an active leach program of newly mined ore and the residual leaching of the existing old dumps. We plan to use a mining contractor for all mining operations and our own employees to manage all other activities.

Accordingly, our ability to commence mining operations will be subject to our obtaining sufficient financing to enable us to fund the necessary initial capital costs and start-up operation expenses and working capital. In addition, final permits must be in place before mining operations are commenced. Once financing and permits are in place, we anticipate it will take approximately three months to complete sufficient rehabilitation of the Johnson Camp Mine to allow the production of copper from the existing heaps, and approximately nine months to begin producing copper from new ore placed on the heaps.

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

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

For a detailed description of our business objectives, our history and background and our property, please see Amendment No. 3 to our annual report on Form 10-KSB/A for the year ended December 31, 2005 under the headings Description of Business and Description of Property . For additional information respecting our options to acquire interests in the Coyote Springs and Mimbres projects, please also see our current report on Form 8-K dated October 17, 2006, and filed with the Securities and Exchange Commission on October 23, 2006.

Results Of Operations Three and Nine Months Ended September 30, 2006 and 2005

The following table sets forth our operating results for the three and nine months ended September 30, 2006, as compared with our operating results for the three and nine months ended September 30, 2005.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2006 (unaudited)	2005 (unaudited)	Change (Increase/ Decrease) (unaudited)	2006 (unaudited)	2005 (unaudited)	Change (Increase/ Decrease) (unaudited)
Net sales	$ -	$ -	$ -	$ -	$ -	$ -
Operating expenses	2,056,951	643,573	1,413,378	4,732,821	2,166,788	2,566,033
Depreciation, depletion and amortization	20,837	20,837	-	62,510	62,511	(1)
Loss from operations	(2,077,788)	(664,410)	(1,413,378)	(4,795,331)	(2,229,299)	(2,566,032)
Other income (expense):						
Interest expense	(300,552)	(549,309)	248,757	(1,371,786)	(903,426)	(468,360)
Gain on investments, net	1,900,000	300,003	1,599,997	2,020,739	300,003	1,720,736
Miscellaneous income (expense)	124,095	41,964	82,131	270,904	19,268	251,636
Total other income (expense)	1,723,543	(207,342)	1,930,885	919,857	(584,155)	1,504,012
Loss before income taxes	(354,245)	(871,752)	517,507	(3,875,474)	(2,813,454)	(1,062,020)
Provision for income taxes	-	-	-	-	-	-
Net Loss	$ (354,245)	$ (871,752)	$ 517,507	$ (3,875,474)	$ (2,813,454)	$ (1,062,020)
Net Loss Per Basic and Diluted Shares of Common Stock:						
Weighted average number of common shares outstanding	33,903,478	28,092,157		33,532,891	27,874,657	
Net loss per share of common stock	$ (0.01)	$ (0.03)		$ (0.12)	$ (0.10)	

Our principal focus during the nine months ended September 30, 2005 was the preservation of our principal asset, the Johnson Camp property, which we acquired in June 1999. During the first three quarters of 2006, we have continued to maintain the Johnson Camp Mine, and have focused on the following activities with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production:

(i) preparation of the filings required to be made by us with the SEC in order to bring ourselves back into compliance with our reporting obligations under the *Securities Exchange Act of 1934* (the Exchange Act); and

(ii) seeking financing necessary to enable us to bring the Johnson Camp Mine into production.

Net Sales

We did not have any sales during the three and nine months ended September 30, 2006 and 2005 due to the fact that the Johnson Camp Mine was on a care and maintenance program during these periods.

Operating Expenses

Our operating expenses increased from $643,573 for the three months ended September 30, 2005, to $2,056,951 for the three months ended September 30, 2006. This increase was due primarily to a $450,362 increase in professional fees related to the preparation of our recent SEC filings under the Exchange Act, other activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production, and, more recently, the negotiation and due diligence investigations relating to the proposed Merger discussed under the heading, "Management's Discussion and Analysis – Overview of Our Business." Due to the proposed Merger, we wrote off $397,803 of deferred offering costs and a $50,000 deposit on abandoned financing costs. We also experienced a $209,858 increase in employment and directors' compensation costs due primarily to the addition of four new independent directors to our Board of Directors in February 2006. Additionally, we incurred a cost of $206,000 associated with the settlement agreement and mutual release the Company entered into with Nicholas Tintor on September 29, 2006, subsequent to his departure on August 21, 2006 as our company's President and Chief Executive Officer and his resignation as a director of our company effective September 27, 2006.

Our operating expenses increased from $2,166,788 for the nine months ended September 30, 2005 to $4,732,821 for the nine months ended September 30, 2006. This increase was due primarily to a $1,314,258 increase in professional fees related to the preparation of our recent SEC filings under the Exchange Act, other activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production, and, more recently, the negotiation and due diligence investigations relating to the proposed Merger. Due to the proposed Merger, we wrote off $397,803 of deferred offering costs and a $50,000 deposit on abandoned financing costs. We also experienced a $402,790 increase in employment and directors compensation costs due primarily to: (a) the voluntary surrender for cancellation by one of our officers of 675,000 stock options with an exercise price of $0.02 per common share, and the grant of the same number of replacement stock options to the officer with an exercise price of $0.50 per common share; (b) employee stock compensation in conjunction with the hiring of Mr. Tintor as our President and Chief Executive Officer in February 2006; and (c) the addition of four new independent directors to our Board of Directors in February 2006. Additionally, we incurred a cost of $233,000 associated with our settlement agreement and mutual release with Nicholas Tintor, each dated September 29, 2006, as discussed above.

Depreciation, Depletion and Amortization

Our depreciation and amortization expense of $20,837 and $62,510 remained essentially the same for the three and nine months ended September 30, 2006, respectively, as compared to the three and nine months ended September 30, 2005.

Interest Expense

Interest expense is attributable to interest, amortization of debt issuance cost and accretion of warrants issued in conjunction with the loans that we have obtained to fund our operating expenses.

Interest expense decreased by $248,757 for the three months ended September 30, 2006 compared to the three months ended September 30, 2005. This decrease was due primarily to the amortization of debt issuance costs of $238,536 related to our bridge loan from Nedbank and our $600,000 revolving line of credit facility granted by Mr. Hirsch and Mr. Seymour, as well as the accretion of expenses related to the issuance of warrants in conjunction with these transactions.

Interest expense increased by $468,360 for the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005. This increase was due primarily to the amortization of debt issuance costs of $358,115 related to our bridge loan from Nedbank and the $600,000 revolving line of credit, as well as the accretion of expenses related to the issuance of warrants in conjunction with these transactions. Additionally we experienced an increase in interest of $104,767 primarily as a result of the $2,150,000 increase in our bridge loan indebtedness.

Gain on Investment and Miscellaneous Income/Expense

During the nine months ended September 30, 2006 we recognized a gain on investments of $2,020,739. In August 2006 we realized $1,900,000 related to the settlement we reached with Titanium Resource Group in connection with the sale of our remaining 13/15 fractional interest in SRL Acquisition No. 1 Limited (SRL) (For further details, please see the discussion below under the heading, Management s Discussion and Analysis Cash and Working Capital Settlement Agreement with Titanium Resources Group, Ltd.) Additionally, for the nine months ended September 2006 we recognized a gain of $261,712 on our investment in Allied Gold. These gains were partially offset by realized losses on the copper put options we purchased in conjunction with the bridge loan from Nedbank during the nine months ended September 30, 2006 in the amount of $142,738. In August 2005 we had received $200,000 upon the original sale of the 2/15 fractional interest, and an additional $100,003 representing a pro rata estimate of the fixed dividend payable on our interest in SRL.

Miscellaneous income/expense increased by $82,131 and $251,636 for the three and nine months ended September 30, 2006, respectively. Miscellaneous income is primarily attributable to royalty income that we earn from our landscape aggregate business. Royalty income represents amounts that we are paid by third party contractors who have the contractual right to remove waste rock and limestone from the Johnson Camp property. We experienced an increase in the volume of shipments of waste rock and limestone during the three and nine months ended September 2006 as compared to the same periods in 2005. Miscellaneous income during the nine months ended September 30, 2005 was offset by miscellaneous expense of $159,366 incurred in connection with a legal settlement between our company and Pierce Carson, the Company s former Chief Executive Officer.

Net Loss

We experienced net losses of $354,245 and $3,875,474 for the three and nine months ended September 30, 2006, respectively, as compared to net losses of $871,752 and $2,813,454 for the three and nine months ended September 30, 2005, respectively. This increase in net losses between these periods occurred despite the fact that we realized $1,900,000 in miscellaneous income from our settlement agreement with Titanium Resource Group in August 2006 in connection with the sale of our remaining 13/15 fractional interest in SRL due to:

- costs associated with our pursuit of the proposed Merger and activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production, as discussed above; and
- a significant increase in interest expense during 2006 over 2005, as discussed above.

Liquidity and Financial Resources

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

Our care and maintenance activities at the Johnson Camp Mine and working capital needs during the nine months ended September 30, 2006 were funded from a portion of the $1,729,391 in net proceeds we received from the sale of our investment in Allied Gold and the sale of our 13/15 fractional interest in SRL.

During August we negotiated an extension of the maturity date on the $4,900,000 secured bridge loan from Nedbank to the earlier of September 30, 2006 or the closing of an equity offering in which we raise not less than $20,000,000. During September 2006 we negotiated a further extension of the maturity date to the earlier of December 22, 2006 or the closing of an equity offering in which we raise not less than $20,000,000. In connection with the most recent extension we agreed to an increase in the interest rate on the loan from 10% to 11% per annum.

In addition, we extended the maturity date under the $600,000 revolving line of credit agreement with Ronald Hirsch and Stephen Seymour to the earlier of: (a) December 22, 2006; or (b) the closing of (i) an equity offering in which we raise not less than $20,000,000, or (ii) a significant corporate transaction which results in a change of control of our company, or which involves a sale, lease, exchange or other transfer of all or substantially all of our assets or assets valued at $12,000,000 or greater.

During 2004, we issued a convertible promissory note to Mr. Seymour in the principal amount of $66,000, and two convertible promissory notes to Mr. Hirsch in the principal amounts of $106,000 and $35,000, respectively. The loans evidenced by these convertible notes accrue interest at 10% per annum, are unsecured, and also have been extended to mature on the earlier of the following dates, unless converted in accordance with their terms: (a) December 22, 2006; or (b) the closing date of (i) an equity offering in which we raise not less than $20,000,000, or (ii) a significant corporate transaction which results in a change of control of our company, or which involves a sale, lease, exchange or other transfer of all or substantially all of our assets or assets valued at $12,000,000 or greater.

Cash and Working Capital

The following table sets forth our cash and working capital deficiency as of September 30, 2006 (unaudited):

Cash reserves	$1,620,317
Working capital deficiency	$(6,791,855)[1]

(1) Includes $5,691,075 in current portion of long-term debt.

If we leave the Johnson Camp Mine on care and maintenance status, and we do not incur any extraordinary liabilities, we will incur monthly expenses of approximately $170,000. Given that we have entered into the Merger Agreement, we anticipate that we will be incurring certain additional costs leading up to the Merger, including proxy solicitation costs that we will incur in connection with the special meeting of our stockholders at which we will seek stockholder approval of the Merger Agreement.

If the proposed Merger does not proceed, after taking into account such additional costs, we anticipate that our current cash will be adequate to cover care and maintenance activities at the Johnson Camp Mine through July 2007. However, it is difficult for us to predict how much of our current cash will be used to if we resume our efforts to reactivate the Johnson Camp Mine. Accordingly, our estimated monthly expenses do not include the significant additional costs that we anticipate that we will have to incur in connection with our ongoing financing activities, or any additional costs that we will have to incur if we proceed with our plan to reactivate the Johnson Camp Mine. As discussed above under the heading, Our Plan of Operations, we expect to incur initial capital costs in excess of $22 million (including working capital) within the first two years of start-up, and a further $9 million (including working capital) in the following two years.

In addition, our anticipated monthly expenses do not include provision for payment of the following accrued and unpaid liabilities:

1. We had accrued expenses of $1,969,862 as of September 30, 2006. These accrued expenses consist primarily of consulting fees and accrued salaries for Mr. Hirsch, our Chairman and formerly our Chief Executive Officer, and Erland Anderson, our President and Chief Executive Officer, as well as payroll expenses.

2. In October 2002, we signed a promissory note in the amount of $95,000 related to our purchase of an Ingersoll Rand blasthole drill. The note bears interest at an annual rate of 12% with monthly payments of $4,472, and is secured by the equipment. The promissory note matured in November 2004, however, on August 16, 2005, the holder of our equipment note sold the loan to an unrelated party. Subsequent to this sale, the terms of the original $95,000 promissory note dated October 2002 were amended to allow for deferment of all past due payments along with any scheduled payments until December 31, 2006, thus curing our default that existed under this promissory note.

Settlement Agreement with Titanium Resources Group, Ltd.

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

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

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

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

Cash Flows From Operating Activities

Our cash flows from operating activities during the nine months ended September 30, 2006 and 2005 were $846,068 and ($885,658), respectively. The Johnson Camp Mine was on a care and maintenance program during these periods. Our cash flows from operating activities for the nine months ended September 30, 2006 includes $1,729,391 in net proceeds from the sale of a portion of our investment in Allied Gold and $1,900,000 related to the sale of our 13/15 fractional interest in SRL.

Cash Flows From Investing Activities

Our cash flows from investing activities during the nine months ended September 30, 2006 were ($39,257), due primarily to release of restricted cash for the purchase of copper put options, offset by $109,068 in capital expenditures primarily as a result of the purchase of conveyors for the Johnson Camp Mine.

Cash Flows From Financing Activities

Our cash flows from financing activities during the nine months ended September 30, 2006 was $672,309 compared to $224,939 for the same period in 2005.

In May 2006 we received an additional $1,000,000 loan from Auramet which has been added to the outstanding principal under the Nedbank bridge loan.

In addition, during the first nine months of 2006, 2,700,000 stock options were exercised at an aggregate exercise price of $54,000. We also received $28,000 in proceeds during the first quarter from the sale of 80,000 units pursuant to the private placement of equity securities that we commenced in September 2005. However, we incurred $245,805 in deferred offering costs, related to our efforts to finance the restart of the Johnson Camp Mine and $161,065 in debt issuance costs related to our bridge loan facility during the first nine months of 2006.

Critical Accounting Policies And Estimates

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

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

We believe that our critical accounting policies and estimates include the accounting for marketable securities and long-lived assets, reclamation costs, accounting for legal contingencies, income taxes and stock based compensation.

Marketable Securities

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

Long-Lived Assets

Our company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques such as estimated future cash flows. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows.

Future cash flows for the Johnson Camp Mine include estimates of recoverable pounds of copper, copper prices (considering current and historical prices, price trends and related factors), production rates and costs, capital and reclamation costs as appropriate, all based upon detailed life-of-mine engineering plans and feasibility studies. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. No impairment losses were recorded during the nine months ended September 30, 2006 and 2005.

Reclamation Costs

We adopted SFAS No. 143, Accounting for Asset Retirement Obligations, on January 1, 2003. Reclamation costs are thus 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.

Prior to our adoption of SFAS No. 143, we estimated future reclamation costs based principally on legal and regulatory requirements. Such costs related to active mines were accrued and charged to expense over the expected operating lives of the mines using the units of production method based on proven and probable reserves.

We estimated our asset retirement obligations using an expected cash flow approach, in which multiple cash flow scenarios were used to reflect a range of possible outcomes. We estimated the aggregate undiscounted obligation to be approximately $400,000 for the Johnson Camp Mine. To calculate the fair value of this obligation, the projected cash flows were discounted at our company s estimated credit-adjusted, risk free interest rate of 10%. At January 1, 2003, we estimated the fair value of our total asset retirement obligation in respect of the Johnson Camp Mine to be $124,534. We recorded the fair value of this obligation and the related asset as of January 1, 2003. The net difference between our company s previously recorded reclamation and closure cost liability and the amounts recorded under SFAS No. 143, after taxes, resulted in a gain of $151,323 for the year ended December 31, 2003, which was recognized as a cumulative effect of a change in accounting principle. As of September 30, 2006, the recorded value of accrued reclamation costs was $177,456.

Income Taxes

Our company uses the liability method to account for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the financial statements. Under applicable accounting rules, we are considered to be unlikely to recognize sufficient operating income to realize the benefit of these assets over time until we have had a reasonable history of net profits, which in some circumstances has been interpreted as requiring at least two consecutive years of net profits. Accordingly, we have recorded a deferred tax valuation allowance in 2005 and prior years to offset the entire deferred tax asset arising from our tax loss carry forward. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized, based upon criteria that include a recent history of demonstrated profits. We will continue to review this valuation allowance and make adjustments as appropriate. Income tax expense consists of the tax payable or refundable for the current period and the change during the period in net deferred tax assets and liabilities. A change of over 50% of our equity ownership will result in a change in ownership as defined in the Internal Revenue Code and underlying regulations, and will have the effect of limiting the availability of the tax loss carry forward.

Stock Based Compensation

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

All stock based payments granted prior to January 1, 2006 were completely vested as of that date and had therefore been expensed in accordance with APB No. 25, or the original provisions of SFAS No. 123, as appropriate. During the nine months ended September 30, 2006, we granted 1,975,000 and cancelled 1,175,000 stock options to employees and directors for which $477,239 in compensation expense was recognized.

Litigation

Other than as set forth below in Part II 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. 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. If any adverse decisions or settlements occur, they may have a material adverse effect on our financial position, or results of operations. Litigation is inherently uncertain and we can make no assurance as to the ultimate outcome or effect.

Recently Issued Accounting Guidance

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

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

In December 2004, the FASB issued SFAS No. 123R, Share-Based Payment , which revised SFAS No. 123, Accounting for Stock-Based Compensation and superseded Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees and its related implementation guidance.

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

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

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

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109 . This interpretation clarifies the accounting for uncertainty in income tax recognized in an enterprise s financial statements in accordance with FASB Statement No.

109, Accounting for Income Taxes . This interpretation prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. We plan to adopt this standard beginning January 1, 2007; at this time, it is uncertain if doing so will have a material impact on our company s consolidated financial statements.

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

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS 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 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We plan to adopt this standard beginning January 2008, and do not anticipate it to have a material impact on our company s consolidated financial statements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by our company is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Our Chief Executive Officer, Erland Anderson, and our Chief Financial Officer, John Perry, are responsible for establishing and maintaining disclosure controls and procedures for our company.

Our management has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2006 (under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer), pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act). As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, our company s Chief Executive Officer and Chief Financial Officer have concluded that our company s disclosure controls and procedures were not effective as of September 30, 2006, due to certain material weaknesses in internal control over financial reporting.

The term internal control over financial reporting is defined as a process designed by, or under the supervision of, the registrant s principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant s assets that could have a material effect on the financial statements.

During the third quarter of 2006, our Chief Executive Officer and our Chief Financial Officer identified the following material weakness with respect to our company s internal control over financial reporting: We incorrectly amortized deferred compensation expense utilizing the straight line method rather than amortizing the expense over the related service period for the underlying stock options. This issue was identified and corrected prior to the filing with the SEC of our company s quarterly report on Form 10-QSB for the quarter ended September 30, 2006.

In order to address this material weakness, subsequent to the quarter ended September 30, 2006, we implemented a level of review by the Chief Financial Officer focused on ensuring proper accounting as it relates to the above.

In our annual reports filed with the SEC for the years ended December 31, 2005 and December 31, 2004, and in our quarterly reports for the first, second and third quarters of 2005 and the first and second quarters of 2006, we had identified certain material weaknesses with respect to our company s internal control over financial reporting, most of which were addressed during the first quarter of 2006. One such material weakness reflected the minimal number of our personnel which resulted in improper segregation of financial transaction duties and authorization controls for example, the person responsible for reconciling cash accounts also had check signing authority, and the person responsible for initiating wire transfers and bank transfers also had authority to approve such transfers. In addition to the appointment of John Perry as our Chief Financial Officer in April 2005, we have taken a number of steps which we believe have largely addressed that material weakness, including the following:

- the implementation of a purchase authorization and approval process which requires all payments to be approved by two of our senior officers;
- the implementation of a purchase requisition and purchase order process which requires all purchase orders to be approved by a senior officer;
- the segregation of financial transaction duties with respect to purchases, receipts and payments;

- dividing check reconciliation duties and check signing authority between different persons; and
- the addition of one individual to our accounting department.

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

PART II OTHER INFORMATION

RISK FACTORS

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

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

Risks Related to Our Company

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

We have a history of losses and expect to incur losses in the future. We had no revenues and net losses of $3,084,166 for the year ended December 31, 2005, and additional net losses of $3,875,474 during the nine months ended September 30, 2006. As of September 30, 2006, we had a working capital deficiency of $6,791,855 (including $5,691,075 representing the current portion of our long-term debt). The Johnson Camp Mine produced copper during the 1975 to 2003 period, but we currently have no commercial production at the Johnson Camp Mine. Accordingly, we expect to continue to incur losses until such time as the Johnson Camp Mine enters into commercial production and generates sufficient revenues to fund our continuing operations. We cannot guarantee that we will successfully bring the Johnson Camp Mine or any of our other properties into commercial production or, if we do, that we will be able to generate sufficient revenues to fund our operations or achieve or sustain profitability.

If the Merger does not proceed, our future profitability will continue to depend on the successful reactivation and operation of the Johnson Camp Mine, which cannot be assured.

Until we entered into the Merger Agreement, we had been focused on the reactivation of the Johnson Camp Mine. If the Merger does not proceed, we will continue to be dependent upon the success of the Johnson Camp Mine as a source of future revenue and profits, if any. We cannot provide any assurance that we will successfully commence mining operations on the Johnson Camp property. Even if we are successful in achieving production, an interruption in operations of the Johnson Camp Mine may have a material adverse impact on our business.

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

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

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

If the Merger does not close, we may incur significant costs and disruption to our operations.

It is possible that the Merger may not be completed even if the Merger Agreement is adopted by our stockholders and by Platinum s stockholders, because other conditions to the Merger may not be satisfied. If the Merger is not consummated, we may incur significant costs and be subject to significant risks, including the possibility of disruption to our operations, diversion of management and employee attention, employee attrition and a potentially negative effect on our business and industry relationships.

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

The parameters used in estimating mining and processing efficiency are typically based on testing and experience with previous operations. Various unforeseen conditions can occur that may materially affect

the estimates. In particular, unless proper care is taken to ensure that proper ore grade control is employed and that other necessary steps are taken, we may not be able to achieve production forecasts as planned. In addition, our projected production is based on anticipated copper recoveries at the Johnson Camp Mine that are in excess of historical experience, which may result in an overestimation of our mining and processing efficiency.

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

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

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

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

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

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

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

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

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

We intend to use equipment we already own for operations at the Johnson Camp Mine. However, our mine plan calls for the acquisition or installation of certain additional equipment, including a crusher (which has already been purchased), an overland conveyor system and certain equipment needed to rehabilitate and upgrade the existing SX/EW plant at the Johnson Camp Mine. There can be no assurance that we can source the additional equipment that we require, that the transportation costs of equipment to be relocated to the Johnson Camp Mine will not be higher than anticipated by us, or that such equipment will arrive in good working condition.

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

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

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

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

We caution that our expectations with respect to copper recovery rates significantly exceed historical experience at the Johnson Camp Mine, as we plan to crush the ore to a smaller size with the view to increasing leaching efficiency. In addition, our projections of copper recovery are based on amounts of

metallurgical testing that are less extensive than are commonly used in the industry for evaluating oxide copper deposits. Furthermore, our estimates of ore reserves reflect consumption projections for sulfuric acid and other consumable items that were developed using a limited number of samples taken by the former operators of the mine on the Johnson Camp property, which may not be representative of the characteristics of the copper deposits. There is no assurance that we will be able to meet these expectations and projections at an operational level.

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

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

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

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

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

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

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

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

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

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

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

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

Although we have secured a number of permits for the restart and operation of the Johnson Camp Mine, we still need to obtain certain permits. Some permits have expired and have been re-applied for, certain permits will be required to be renewed from time to time during the life of the project, and certain permits may be suspended or require additional applications in the event of a significant or substantial change to the Johnson Camp Mine operations or prolonged inactivity. To the extent other approvals are required and not obtained, we may be curtailed or prohibited from commencing or continuing mining operations or from proceeding with planned exploration or development of mineral properties.

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

We are currently indebted to Nedbank Limited in the amount of $4,900,000. We have issued a secured promissory note to Nedbank Limited that has been amended so that it will now mature on the earlier of December 22, 2006 or the closing of an equity offering in which we raise not less than $20,000,000. We currently do not have the means to repay the note. In connection with bridge loan financing from Nedbank Limited in the total principal amount of $4,900,000, we have delivered a deed of trust, assignment of rents, security agreement and fixture filing that grants to Nedbank Limited a first priority lien encumbering all of the real and personal property associated with the Johnson Camp property, including patented mining claims, fee lands and unpatented mining claims. Nedbank Limited would be entitled to realize upon the security interest if we are unable to repay or refinance the loan as it becomes due and seize our assets. There is no assurance that we will be able to raise sufficient financing to repay this loan as it becomes due, or upon our ability to refinance the loan on acceptable terms, if at all. We have obtained credit approval from Nedbank Limited for a debt financing facility of up to $14 million for the reactivation of the Johnson Camp Mine. The credit approval is subject to certain conditions precedent described in more detail in this quarterly report, including the company raising a minimum of $18 million in additional financing, which cannot be assured.

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

We estimate that the initial capital costs for the reactivation of the Johnson Camp Mine will be approximately $22 million (including working capital), expected to be incurred within the first two years of project start up. We estimate we will incur a further $9 million in the following two years. These figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs. The estimated capital costs of the Johnson Camp Mine, as well as our estimated operating costs, were provided by Nord and reviewed by Winters, Dorsey, for inclusion in the updated feasibility study. Those estimates may change with our actual experience as our mine plan is implemented. We may therefore require substantial additional financing to carry out our mine plan, and we may be forced to undertake a reverse split (consolidation) of our issued and outstanding shares of common stock, if approved by our shareholders, in connection with our pursuit of financing alternatives. We cannot guarantee that we will be able to obtain such additional financing on commercially reasonable terms or at all. If we fail to obtain the necessary financing when needed, we may not be able to execute our mine plan and we may be forced to maintain the Johnson Camp Mine on care and maintenance status indefinitely.

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

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

The Johnson Camp property consists of 59 patented lode mining claims, 102 unpatented lode mining claims and 617 acres of fee simple lands. The copper processing facilities and the Copper Chief and

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

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

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

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

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

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

Our success depends on our key executives, Ronald Hirsch, Erland Anderson, John Perry, and key operating personnel at the Johnson Camp Mine, Eric Ivey and Matthew Williams. The loss of the services of one or more of such key personnel could have a material adverse effect on our business. Our ability to manage exploration and development activities, and hence our success, will depend in large part on the

efforts of these individuals. We face intense competition for qualified personnel, and we cannot be certain that we will be able to attract and retain such personnel in the future.

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

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

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

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

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

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

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

We may be unable to attract and retain qualified officers, directors and members of board committees required to provide for our effective management as a result of the recent and currently proposed changes in the rules and regulations which govern publicly-held companies. The Sarbanes-Oxley Act of 2002 has resulted in a series of rules and regulations by the Securities and Exchange Commission that increase

responsibilities and liabilities of directors and executive officers. The perceived increased personal risk associated with these recent changes together with the risks associated with our business may deter qualified individuals from accepting these roles.

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

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

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

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

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

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

We have a limited market for our securities.

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

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

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

Risks Related to Our Industry

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

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

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

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

Our operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of copper and other base or precious metals, including unusual and unexpected geologic formations, seismic activity, pit-wall failures, flooding and other conditions involved

in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability.

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

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

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

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

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

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

All phases of our operations, if any, will be subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which we anticipate will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for

companies and their officers, directors and employees. Future changes in environmental regulation may adversely affect our operations, if any. Environmental hazards may exist on the Johnson Camp property or on properties which we hold or may acquire in the future that are unknown to us at present and that have been caused by previous or existing owners or operators of the properties.

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

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

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

Item 1. 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 these legal proceedings will significantly impact our financial position, operations or cash flows.

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

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

Action By, and Cross Complaint Against, Great West Life

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

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

If we fail to make the scheduled payments, interest will accrue on the full $150,000 amount of the judgment at the rate of 10 percent per year, beginning on March 21, 2006. As of September 30, 2006, the balance of the liability to Great West Life is $45,000. Accordingly, we are in compliance with the provisions of the settlement agreement.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We issued securities in the following transactions without registering the securities under the Securities Act:

To date, certain equity-based fees have been paid to our non-executive directors in the form of awards issued pursuant to our company s 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of our non-executive directors has exercised such rights in respect of the equity-based fees payable to him for the current year. Our non-executive directors earned the following additional deferred stock units as of September 30, 2006: Wade Nesmith earned 15,224.359 deferred stock units, such that he now holds a total of 37,489.984 deferred stock units; Douglas Hamilton earned 12,820.513 deferred stock units, such that he now holds a total of 31,570.513 deferred stock units; John Cook earned 10,416.667 deferred stock units, such that he now holds a total of 25,651.042 deferred stock units; and Stephen Seymour earned 8,012.821 deferred stock units, such that he now holds a total of 19,731.571 deferred stock units. 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.

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 third quarter of 2006, we issued 60,000 shares of our common stock valued at $47,000 to John Perry, our Senior Vice President and Chief Financial Officer, pursuant to his employment agreement. 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.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We have not purchased any of our shares of common stock or other securities since January 1, 2006.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Securities Holders

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

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

	For	Withheld
Ronald A. Hirsch	25,898,430	436,717
Stephen D. Seymour	25,878,559	456,588
Wade D. Nesmith	26,195,889	139,258
Douglas P. Hamilton	26,167,176	167,971
John F. Cook	26,197,336	137,811

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

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

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

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

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

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

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

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

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

Item 5. Other Information

None.

Item 6. Exhibits

Plan of purchase, sale, reorganization, arrangement, liquidation or succession	
2.1	Agreement and Plan of Merger dated October 23, 2006 by and among Nord Resources Corporation, Platinum Diversified Mining, Inc., Platinum Diversified Mining USA, Inc. and PDM Merger Corp.[18]
Articles of Incorporation and By-laws	
3.1	Certificate of Incorporation (as amended) of Nord Resources Corporation[1]
3.2	Amended and Restated Bylaws of Nord Resources Corporation[2]
Instruments defining the rights of security holders, including indentures	
4.1	Pages from Amended and Restated Bylaws of Nord Resources Corporation defining the rights of holders of equity or debt securities[1]
4.2	Convertible Promissory Note for $35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated June 29, 2004[1]
4.3	Amendment to Convertible Promissory Note dated June 29, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005[1]
4.4	Convertible Promissory Note for $66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated August 19, 2004[1]
4.5	Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective September 26, 2005[1]
4.6	Second Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective November 30, 2005[1]
4.7	Convertible Promissory Note for $106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated October 4, 2004[1]
4.8	Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective September 26, 2005[1]
4.9	Second Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005[1]
4.10	Revolving Line of Credit Agreement, between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005[1]
4.11	Security Agreement between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005[1]

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

4.27	Modification Agreement between Nord Resources Corporation and Nedbank Limited, dated May 15, 2006[5]
4.28	Warrant Certificate issued by Nord Resources Corporation to Nedbank Limited, dated May 15, 2006[5]
4.29	Warrant Certificate issued by Nord Resources Corporation to Auramet Trading LLC, dated May 15, 2006[5]
4.30	Amended and Restated Secured Promissory Note, dated May 31, 2006, payable to Nedbank Limited in the principal amount of $4,900,000[6]
4.31	First Amendment to Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated May 31, 2006, among Nord Resources Corporation, First American Title Insurance Company and Nedbank Limited[6]
4.32	Amendment to Subordination Agreement, dated May 31, 2006, made for the benefit of Nedbank Limited by Ronald Hirsch and Stephen Seymour[6]
4.33	Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated May 31, 2006 representing 250,000 common stock purchase warrants[6]
4.34	Letter Agreement between Nord Resources Corporation Nedbank Limited and Auramet Trading, LLC dated August 8, 2006, extending the maturity date of a secured loan in the principal amount of $4,900,000[10]
4.35	Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated August 14, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005[12]

4.41	Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of $66,000[16]
4.42	Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of $106,000[16]
4.43	Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of $35,000[16]
4.44	Amending agreement dated September 29, 2006 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain $600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005[16]
Material Contracts	
10.1	Executive Employment Agreement between Nord Resources Corporation and Ronald A. Hirsch dated January 2, 2004[1]
10.2	Waiver Agreement between Nord Resources Corporation and Ronald A. Hirsch dated February 15, 2006[3]
10.3	Executive Employment Agreement between Nord Resources Corporation and Erland Anderson dated January 2, 2004[1]
10.4	Waiver Agreement and Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated February 15, 2006[3]
10.5	Nord Resources Corporation Stock Option granted to Erland Anderson February 1, 2006[3]
10.6	Executive Employment Agreement between Nord Resources Corporation and John Perry dated April 18, 2005[1]
10.7	Memorandum of Understanding between Nord Resources Corporation and John Perry regarding employment matters dated March 28, 2005[1]
10.8	Waiver Agreement between Nord Resources Corporation and John Perry dated February 15, 2006[3]
10.9	Letter Agreement between Nord Resources Corporation and Nicholas Tintor regarding employment matters dated February 15, 2006[3]
10.10	Option to Purchase the Coyote Springs property from Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC to Nord Resources Corporation dated January 28, 2004[1]

10.11	First Amendment to Option to Purchase Coyote Springs property among Thornwell Rogers, South Branch Resources LLC, MRPGEO LLC and Nord Resources Corporation dated December 14, 2004(1)
10.12	Second Amendment to the Terms of Agreement, Option to Purchase the Coyote Springs Property, Graham County, Arizona, between Nord Resources Corporation and Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC, dated January 27, 2006(3)
10.13	Option to Purchase the Mimbres Property from Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC to Nord Resources Corporation dated June 10, 2004(1)
10.14	Option Agreement between Shirley Bailey and Nord Resources Corporation dated July 19, 2004(1)
10.15	Debt Conversion between Nord Resources Corporation and Thornwell Rogers dated April 16, 2004(1)
10.16	Debt Conversion between Nord Resources Corporation and South Branch Resources LLC dated April 16, 2004(1)
10.17	Debt Conversion between Nord Resources Corporation and MRPGEO, LLC dated April 16, 2004(1)
10.18	Letter dated January 29, 2004 from Peifer, Hanson & Mullins, P.A. to Nord Resources Corporation regarding debt conversion (accepted by NRC), together with draft Debt Conversion Agreement dated February 2004(1)
10.19	Debt Conversion Agreement between Peifer, Hanson and Mullins P.A. and Nord Resources Corporation dated October 25, 2005(1)
10.20	Settlement Agreement and Mutual and General Release between Nord Resources Corporation and Schuler Messersmith Daly & Landsdowne dated October 31, 2004(1)
10.21	Letters dated February 16, 2004 and October 8, 2004 relating to the consulting arrangement between Nord Resources Corporation and Rex E. Loesby(1)
10.22	Letter dated February 20, 2004 from Nord Resources Corporation to Cognis Corporation regarding debt conversion (accepted by Cognis), together with draft Debt Conversion Agreement(1)
10.23	Debt Conversion Agreement between Nord Resources Corporation and Cognis Corporation effective February 20, 2004(1)
10.24	Consulting Agreement between Nord Resources Corporation and Investor Growth, Inc. dated June 29, 2004(1)
10.25	Settlement Agreement and General Release between Nord Resources Corporation and W. Pierce Carson dated April 22, 2005(1)

10.26	Warrant Certificate issuing 250,000 warrants to W. Pierce Carson dated April 22, 2005(1)
10.27	Amendment No. 1 to Settlement Agreement and Mutual General Release between Nord Resources Corporation and Schuler Messersmith Daly & Landsdowne dated June 30, 2005(1)
10.28	Nord Resources Corporation form of Subscription Agreement (April 2004 private placement)(1)
10.29	Letter dated April 15, 2004, amending the terms of the April 2004 private placement(1)
10.30	Nord Resources Corporation form of Subscription Agreement (July 2004)(1)
10.31	Nord Resources Corporation form of Subscription Agreement for US Investors (2005 private placement)(1)
10.32	Nord Resources Corporation form of Subscription Agreement for Canadian Investors (2005 private placement)(1)
10.33	Nord Resources Corporation form of Warrant Certificate for US Purchasers (2005 private placement)(1)
10.34	Nord Resources Corporation form of Warrant Certificate for Canadian Purchasers (2005 private placement)(1)
10.35	Letter dated October 25, 2005, amending the terms of the 2005 private placement offering(1)
10.36	Letter dated November 15, 2005, amending the terms of the 2005 private placement offering(1)
10.37	Letter dated December 21, 2005, amending the terms of the 2005 private placement offering(1)
10.38	Agreement of Option and Right of First Refusal between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour dated October 14, 2004 (zinc business)(1)
10.39	Agreement of Assignment and Assumption between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour dated October 14, 2004(1)
10.40	Agreement of Assignment and Assumption between Ronald A. Hirsch and Stephen D. Seymour and TMD Acquisition Corporation dated February 26, 2005(1)
10.41	Final Asset Purchase Agreement between TMD Acquisition Corporation and ASARCO LLC dated March 2005(1)
10.42	Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine between Nord Resources Corporation and JC Rock, LLC dated December 23, 2004(1)
10.43	First Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated December 28, 2004(1)
10.44	Second Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated May 1, 2005(1)

10.45	Third Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated June 30, 2005(1)
10.46	Fourth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated September 30, 2005(1)
10.47	Fifth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated February 28, 2006(3)
10.48	Purchase, Sale and Option Agreement between Nord Resources Corporation and Titanium Resources Group Ltd. effective August 3, 2005(1)
10.49	Rescission Agreement between Nord Resources Corporation and Ronald A. Hirsch dated August 5, 2005 to rescind the exercise of certain stock options(1)
10.50	Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated January 5, 2006(3)
10.51	Sixth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated February 28, 2006(9)
10.52	Confidential Settlement and Release Agreement between Nord Resources Corporation (plaintiff/counter-defendant), and Titanium Resources Group, Ltd. and Edward Wayne Malouf (defendants/counter-plaintiffs) dated August 9, 2006(11)
10.53	Settlement Agreement between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006(15)
10.54	Mutual General Release between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006(15)
10.55	Third Amendment to the Terms of Agreement, Option to Purchase the Coyote Springs Property, Graham County, Arizona among Nord Resources Corporation, Thornwell Rogers, South Branch Resources, LLC and MRGPEO, LLC dated October 17, 2006(17)
10.56	Second Amendment to the Terms of Agreement, Option to Purchase the Mimbres Property, Grant County, New Mexico among Nord Resources Corporation, Thornwell Rogers, South Branch Resources, LLC and MRGPEO, LLC dated October 17, 2006(17)
10.57	Settlement Agreement dated October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation(17)
10.58	Amended and Restated Assignment Agreement dated as of October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation(20)
10.59	Amended and Restated Waiver Agreement And Amendment of Employment Agreement between Nord Resources Corporation and Ronald Hirsch dated October 18, 2006(17)

10.60	Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated October 18, 2006[17]
10.61	Amendment of Executive Employment Agreement between Nord Resources Corporation and John Perry dated October 18, 2006[17]
10.62	Indemnification Agreement dated October 18, 2006 by Stephen Seymour, in his personal capacity, and by Stephen Seymour, Kathie Stevens and Louise Seymour, as Trustees U/A dated 7/27/82 FBO Louise Seymour, in favor of Nord Resources Corporation[17]
10.63	Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Ronald A. Hirsch[18]
10.64	Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Stephen Seymour[18]
10.65	Deposit Escrow Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and American Stock Transfer & Trust Company[18]
10.66	Letter Agreement respecting a performance bonus between Nord Resources Corporation and Ron A. Hirsch dated November 2, 2006[19]

Subsidiaries of the Small Business Issuer

21.1 Subsidiaries of Small Business Issuer:

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

Certifications

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended[20]
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended[20]
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[20]

Additional Exhibits

99.1 Nord Resources Corporation 2006 Stock Incentive Plan[8]

Notes

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

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

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

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

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

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

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

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

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

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

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

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

(13) Incorporated by reference 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.

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

(15) Incorporated by reference from our current report on Form 8-K dated September 27, 2006, filed with the SEC on October 2, 2006

(16) Incorporated by reference from our current report on Form 8-K dated September 29, 2006, filed with the SEC on October 4, 2006

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

(18) Incorporated by reference from our current report on Form 8-K dated October 23, 2006, filed with the SEC on October 24, 2006

(19) Incorporated by reference from our current report on Form 8-K dated November 2, 2006, filed with the SEC on November 7, 2006

(20) Filed herewith.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORD RESOURCES CORPORATION

By:

/s/ Erland Anderson
Erland Anderson
Interim Chief Executive Officer
Date: November 14, 2006

By:

/s/ John Perry
John T. Perry
Senior Vice President, Secretary, Treasurer and
Chief Financial Officer
Date: November 14, 2006