

NORD RESOURCES CORP
Form 10-K
March 27, 2013

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

FORM 10 K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1 08733

NORD RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

85 0212139

(IRS Employer Identification No.)

1 West Wetmore Road, Suite 203

Tucson, Arizona

(Address of principal executive offices)

85705

(Zip Code)

Registrant's telephone number, including area code: **(520) 292 0266**

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

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value \$0.01 per share

(Title of class)

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act

Yes No

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

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2012, computed by reference to the price at which such stock was last sold on the OTCQB (\$0.05 per share) on that date, was approximately \$2,964,288.

The registrant had 112,488,604 shares of common stock outstanding as of March 15, 2013.

NORD RESOURCES CORPORATION

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FORWARD LOOKING STATEMENTS

The information in this annual report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward looking statements involve risks and uncertainties regarding the market price of copper, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of ore reserve development and other factors. Forward looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward looking statements. In some cases, you can identify forward looking statements by terminology such as may , will , should , expect , plan , intend , anticipate , believe , estimate , predict , potential of such terms or other comparable terminology.

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

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

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

We note, in particular, that commencing in July 2010; we suspended the mining and crushing of ore at the Johnson Camp Mine and laid off approximately half of our workforce at the mine. The suspension resulted in an immediate reduction of costs and enabled our Company to maximize operating cash flow from the production of copper achieved through continued leaching of ore on the existing pads and the operation of our SX-EW plant. We expect that the production level will continue to steadily decline unless mining and crushing operations are resumed. We caution that our operating results realized during the period when our mining and crushing activities are suspended will not be indicative of our future performance.

In addition, the Johnson Camp Mine has limited recent operating history upon which to base estimates of future cash flows and operating costs. These and other estimates or projections (including our expectations with respect to annual copper production from our planned operations at the Johnson Camp Mine) are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques performed in accordance with industry standards by third parties, the methodologies and results of which we have assumed are reasonable and accurate, which results form the basis for, and constitute a fundamental variable in, the feasibility study and technical report completed by Bikerman Engineering & Technology Associates which we have relied on. The sampling data produced by third parties and amounts of metallurgical testing are less extensive than normal and our expected copper recovery rates at the Johnson Camp Mine significantly exceed historical experience at the Johnson Camp property. There is no assurance that we will be able to meet these expectations and projections at an operational level.

Our Company's continuation as a going concern depends on our ability to refinance the obligations under the Credit Agreement with Nedbank, the Copper Hedge Agreement with Nedbank Capital and our unsecured note payable to Fisher Sand & Gravel Company which matured in July 2012, our ability to produce copper to sell at a level where our Company becomes profitable and generates cash flow from operations, and our ability to achieve our operating plan. In addition, if management cannot achieve our Company's operating plan because of sales shortfalls, a reduction in copper prices, or other unfavorable events, we may find it necessary to dispose of assets, or undertake other actions as may be appropriate.

For further information, you should carefully read and consider the section of this annual report entitled **Risk Factors beginning on page 6.**

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

PART I

ITEM 1. BUSINESS

Overview

We are a copper mining company and our principal asset is the Johnson Camp property located in Dragoon, Arizona. The Johnson Camp property includes the Johnson Camp Mine, an integrated open pit copper mine and a production facility that uses the solvent extraction, electrowinning (SX-EW) process. The Johnson Camp Mine includes two existing open pits, namely the Burro and the Copper Chief bulk mining pits.

We are currently in default under our Credit Agreement with Nedbank, our Copper Hedge Agreement with Nedbank Capital and our Unsecured Note with Fisher Sand & Gravel Company (Fisher Industries).

Nedbank, Nedbank Capital and Fisher Industries have not exercised their respective rights to note us in default. However, our Company's continuation as a going concern is dependent upon our ability to refinance the obligations under our Credit Agreement with Nedbank, our Copper Hedge Agreement with Nedbank Capital and our note payable to Fisher Industries, raise a minimum \$20 million dollars in additional capital, and on our ability to produce copper to sell at a level where our Company becomes profitable and generates cash flows from operations, all of which is uncertain.

In July 2010, we suspended the mining and crushing of ore at the Johnson Camp Mine and laid off approximately half of our workforce at the mine. We have continued to produce copper through the leaching of ore already in place on our existing pads and processing the solution through the SX-EW plant. We expect that the production level will continue to steadily decline unless mining and crushing operations are resumed.

We now believe that we will not be able to achieve our targeted production rate of 25 million pounds of copper per year until we have resumed mining operations and have completed and put into full operation our planned new leaching pad. We estimate that we would incur approximately \$18 million in capital costs for the development and construction of the new leach pad. Accordingly, our new leaching pad remains subject to financing, the availability of which cannot be assured.

In addition, assuming we are able to resume full mining operations, we now plan to utilize our own employees in the mining segment of the operations. Consequently, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million. We plan to lease this fleet under a lease to purchase option. If we are unable to secure such a lease on commercially reasonable terms, we may need to raise additional capital or incur a significant increase in the cost of operations.

If we are unable to obtain financing, we expect to be able to continue our residual leaching and solvent extraction/electro-winning operations for the foreseeable future, assuming that neither Nedbank, Nedbank Capital, nor Fisher Industries exercises its rights to note us in default, that our vendors continue to provide us goods and services in accordance with existing terms and conditions, both copper prices and our costs (in particular, the cost of sulfuric acid) remain at or near current levels, and our copper recovery rate and copper production trends remain consistent with the average recovery rate and production trends that we have experienced for the last twelve months (none of which can be assured). If our residual leaching and solvent extraction/electro-winning operations become economically unviable (for example, due to a significant drop in copper prices, a significant increase in the cost of sulfuric acid, or a material drop in our copper recovery rates and related copper production), we would be forced to terminate our operations, significantly reduce our workforce, place the Johnson Camp Mine on a care and maintenance program, and, perhaps, sell some of our assets (subject to the consent of our secured creditors, as appropriate).

If Nedbank, Nedbank Capital, and/or Fisher Industries elect to note us in default and enforce their rights under their respective agreements, we will not be able to continue as a going concern.

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 referenced under the heading "Risk Factors" included below.

Development of Our Business

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

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

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

In January 2008, we commenced copper cathode production from leaching old leach pads, and during 2008, we produced approximately 2.9 million pounds of copper from residual leaching.

In February 2008, we entered into a long-term cathode sales agreement with Red Kite Master Fund Limited, a large metals hedge fund and physical trader, for 100% of the copper cathode production from the Johnson Camp Mine. Upon expiry of that agreement on December 31, 2012, we entered into a new cathode sales agreement with Red Kite Master Fund Limited effective January 1, 2013 through March 31, 2013, for 100% of the copper cathode production from the Johnson Camp Mine. On March 20, 2013, the agreement was amended to run through June 30, 2013 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, Red Kite accepts delivery of the cathodes at the Johnson Camp Mine, and pricing will be based on the COMEX price for high-grade copper on the date of sale.

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

We commenced mining of new ore upon completion of the reactivation work in January 2009, and we commenced production of nominal amounts of copper from newly-mined ore during the testing and development phase of the mine in February and March 2009. We achieved commercial copper cathode production from newly-mined ore on April 1, 2009 and entered the production stage.

In July 2010, we suspended the mining and crushing of ore at the Johnson Camp Mine and laid off approximately half of our workforce at the mine. We continue to produce copper through the leaching of ore already placed on the existing pads and processing the solution through the SX-EW plant. The suspension resulted in an immediate reduction of costs and enabled our Company to maximize operating cash flow from the production of copper achieved through continued leaching of ore on the existing pads and the operation of our SX-EW plant. The suspension also provided our Company with the opportunity to further evaluate our geological data, continue column leach testing, expand mineralogical classification of the reserve and perform additional drilling as appropriate. The resulting improved database and geologic block model are expected to provide us with the necessary tools to optimize the mine plan by focusing on higher grade acid-soluble ore. Since July 2010, the Company has made several additional reductions in their workforce in response to subsequent decreases to copper production.

Default Under Secured Credit Agreement with Nedbank

In March 2009, our credit agreement with Nedbank was amended and restated to provide for, among other things, the deferral of certain principal and interest payments until December 31, 2012 and March 31, 2013. Due to our cash flow constraints, we have been unable to make the quarterly payments of principal due on and after March 31 2010, each in the amount of \$1,790,099, and the related interest payments. As of December 31, 2012, our quarterly payments in arrears totaled \$21,467,727, and unpaid interest thereon totaled \$7,363,900.

We do not have a forbearance agreement with Nedbank and Nedbank has the full authority to exercise its rights under the credit agreement, including the acceleration of the full amount due thereunder and the institution of foreclosure proceedings against the Johnson Camp Mine. In accordance with the credit agreement, upon missing the principal and interest payments, the interest rate on the outstanding debt and unpaid accrued interest has been increased by 3.00% to LIBOR plus 9.06% .

Default Under Copper Derivatives Agreements with Nedbank Capital

Nedbank Capital has also declined to extend the forbearance agreement regarding the Company's failure to make the timely payments for the monthly settlements beginning in March of 2010 through December 31, 2011 in the aggregate amount of \$16,106,691 due under the copper derivatives agreements between the parties. As of December 31, 2012, 100% of the related copper derivatives had matured.

Conversion of Fisher Sand & Gravel Company Payables to Two-Year Note

In July 2010, we reached an agreement with Fisher Industries to convert approximately \$8.2 million of payables to a two-year unsecured note bearing interest on the outstanding principal at the rate of 6% per annum. Since the outstanding principal under our promissory note to Fisher Industries was due and payable on July 31, 2012, the entire balance remaining unpaid to Fisher Industries under the note has been classified as a current liability. The Company was unable to make the required principal and accrued interest payment to Fisher upon the maturity of the note on July 31, 2012.

To date, Fisher Industries has not served the Company with a written notice of default. If the Company fails to make the required payment to remedy the default within three business days following the issuance of any such notice, the whole sum shall become immediately due and payable at the option of Fisher without further notice. As of December 31, 2012, a current maturity of long-term debt in the amount of \$6,183,499 is reflected in the consolidated balance sheet. The Company plans to renegotiate the terms and conditions of this note in conjunction with any refinancing that the Company succeeds in obtaining.

Company Operations if We Are Unable to Obtain Additional Capital

If we are unable to obtain financing, we expect to be able to continue our residual leaching and solvent extraction/electro-winning operations for the foreseeable future, assuming that neither Nedbank nor Nedbank Capital exercises its rights to note us in default, that Fisher Industries does not exercise its rights under our promissory note, our vendors continue to provide us goods and services in accordance with existing terms and conditions, both copper prices and our costs (in particular, the cost of sulfuric acid) remain at or near current levels, and our copper recovery rate and copper production trends remain consistent with the average recovery rate and production trends that we have experienced for the last twelve months (none of which can be assured).

If our residual leaching and solvent extraction/electro-winning operations become economically unviable (for example, due to a significant drop in copper prices, a significant increase in the cost of sulfuric acid, or a material drop in our copper recovery rates and related copper production), we would be forced to terminate our operations, significantly reduce our workforce, place the Johnson Camp Mine on a care and maintenance program, and, perhaps, sell some of our assets (subject to the consent of our secured creditors, as appropriate).

Financial Advisory and Consulting Services Agreement

In March 2011, the Company engaged Olympus Securities, LLC to provide financial advisory and consulting services. The Company has agreed to pay Olympus a success fee ranging between 2.5% and 7.2% of the capital raised for the Company depending on the type of transaction consummated. To date no success fees have been paid under the terms of the agreement with Olympus.

Delisting From OTCBB

On February 23, 2011, our common stock was delisted from the OTC Bulletin Board (the OTCBB), and now trades exclusively on the OTCQB. According to the notice published on the OTCBB website (www.otcbb.com), our common stock is no longer eligible for quotation on the OTCBB due to quoting inactivity under SEC Rule 15c2-11. The stock will remain ineligible for quotation on the OTCBB until the Financial Industry Regulatory Authority, Inc. accepts a Form 211 filed pursuant to SEC Rule 15c2-11 by a market maker who wishes to resume quotations in the stock on the OTCBB.

Other Operations

The Johnson Camp property includes decorative and structural stone operations, which produce landscape and aggregate rock from the overburden piles at the Johnson Camp Mine. Our Company leases the landscape rock operations to a third party in exchange for royalties. We do not believe that the landscape and aggregate rock operations are now nor will be material to our consolidated financial results of operations in the future. In October 2012, we received \$180,000 in exchange for \$204,000 in royalty payment credits. As of December 31, 2012, the Company owed \$136,930 in royalty payment credits.

Incorporation and Principal Business Offices

We were formed under the laws of the State of Delaware on January 18, 1971. Our principal business offices are located at 1 West Wetmore Road, Suite 203, Tucson, Arizona 85705, and our telephone number is (520) 292 0266.

ITEM 1A. RISK FACTORS

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

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

Risks Related to Our Company

We have incurred substantial debt and have granted a security interest in our assets. We are currently in default under our Credit Agreement with Nedbank, our Copper Hedge Agreement with Nedbank Capital and our Unsecured Note with Fisher Sand & Gravel Company (Fisher Industries). Nedbank may take steps to realize upon its security by taking control of all or a portion of our assets. Our Company's continuation as a going concern is dependent upon our ability to refinance the obligations under our Credit Agreement with Nedbank, our Copper Hedge Agreement with Nedbank Capital and our note payable to Fisher Industries.

We are a party to an amended and restated credit agreement dated as of March 31, 2009 with Nedbank Limited, as the administrative agent and lead arranger, which provided a \$25,000,000 secured term loan credit facility used by our Company to finance the reactivation of the Johnson Camp Mine. We have delivered a deed of trust, a collateral account agreement and certain other security agreements that grant to the lenders a first priority lien encumbering all of the real and personal property associated with the Johnson Camp property, including all patented mining claims, fee lands and unpatented mining claims in which we have an interest. The lenders are entitled to realize upon their security interests and seize our assets as we are currently unable to repay or refinance the loans as they become due. In addition, pursuant to the terms of the credit agreement, we are required to meet specified financial tests any time that any loan proceeds remain outstanding under the credit agreement. As of December 31, 2012, we were not in compliance with these restrictive financial covenants.

As disclosed elsewhere in this Annual Report, we are now in default of our obligations under the credit agreement. Accordingly, the full amount of the outstanding principal and accrued and unpaid interest as of December 31, 2012 is included in our Company's current liabilities, together with any additional amounts payable under the credit agreement. We are also in default under our copper hedge agreement with Nedbank Capital. Our Company's continuation as a going concern is dependent upon our ability to refinance our obligations under the credit agreement with Nedbank. If Nedbank elects to exercise its rights under the credit and copper hedge agreements, it would result in the acceleration of the full amounts due thereunder and the institution of foreclosure proceedings against the security.

We are also now in default of our obligations under the Unsecured Note with Fisher Industries which matured on July 31, 2012. As of the date these financial statements were issued, the Company has not received a formal default notification from Fisher Industries. As of December 31, 2012, the Company owes Fisher Industries \$6,183,499 in principal and \$224,223 in accrued interest.

The Company's continuation as a going concern is dependent upon its ability to refinance the obligations under the Credit Agreement with Nedbank, the Copper Hedge Agreement with Nedbank Capital, and the note payable with Fisher, thereby curing the current state of default under the respective agreements. Any actions by Nedbank, Nedbank Capital or Fisher Industries to enforce their respective rights could force us into bankruptcy or liquidation.

Our indebtedness, disruption in financial markets and volatile copper prices, could, among other things, impede our access to capital or increase our cost of capital, which would have an adverse effect on our ability to fund our working capital and other capital requirements.

As of December 31, 2012, the outstanding principal amount of our debt was \$23,257,826. The widely reported domestic and global recession, and the unprecedented levels of disruption and continuing illiquidity in the credit markets have had an adverse effect on our operating results and financial condition, and if sustained or worsened, such adverse effects could continue or deteriorate. Disruptions in the credit and financial markets have adversely affected financial institutions, inhibited lending and limited access to capital and credit for many companies, including ours. In addition, copper prices have been highly volatile. Over the past two years copper prices have fluctuated in a range between \$3.07/lb. to \$4.64/lb. On December 31, 2012, the spot price of copper on the LME was \$3.64/lb. These conditions have made it difficult for us to obtain, or increased our cost of obtaining, capital and financing for our operations and have limited our flexibility to plan for, or react to, changes in our business and the markets in which we

operate. If these conditions persist or deteriorate, they could, among other things, make it difficult for us to finance our working capital requirements and service our existing debt.

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

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

We have a history of losses, and expect to incur losses in the future unless we resume crushing and mining operations and ramp up production to our targeted levels at the Johnson Camp Mine.

We had net loss of (\$10,254,344) and (\$10,316,294) for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012, we had a working capital deficiency of \$(57,999,677). This deficiency includes current liabilities of \$60,741,827 representing the current portions of our senior long-term debt and derivative contracts of \$23,257,826 and \$16,106,691, respectively, and the Fisher note payable of \$6,183,499.

We have suspended the mining and crushing of ore at the Johnson Camp Mine, with the result that copper production will steadily decline over time unless mining and crushing operations are resumed.

In July 2010, our Company suspended the mining and crushing of ore at the Johnson Camp Mine. Our Company continues to produce copper through the leaching of ore already in place on its existing pads and the ongoing operations of its SX-EW plant. The suspension resulted in an immediate reduction of costs and has enabled our Company to maximize operating cash flow from the production of copper. However, we expect that the production level will steadily decline unless mining and crushing operations are resumed.

Our targeted full production rate of 25 million pounds of copper per annum will not be attained until we have transitioned the stacking of ore to the new leach pad, which is not expected to be operational until 150 days after we obtain additional financing.

The targeted full production rate of 25 million pounds of copper per annum will not be attained until we have transitioned the stacking of ore to the new leach pad which is scheduled to be in operation 150 days after we obtain additional financing. We cannot provide any assurance that we will be able to obtain the necessary financing for the new leach pad, ramp up to full production, or have successful mining and processing operations at the Johnson Camp property in the future.

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

We will require additional financing to resume full operations at the Johnson Camp Mine, the availability of which cannot be assured.

Our operational plan is subject to our ability to refinance our obligations under our Credit Agreement with Nedbank, our Copper Hedge Agreement with Nedbank Capital and our unsecured note payable to Fisher Industries, and on our ability to raise approximately \$20 million dollars in additional capital (including the estimated \$18 million that we would require to cover the capital costs of developing and constructing the planned new leach pad, which is expected to be operational within 150 days of a refinancing transaction). The estimated start-up date for the new pad is subject to our Company's ability to complete our current efforts to refinance our Company. Our estimated capital costs and operating expenses may change with additional detailed engineering and more operating experience as our mine plan is implemented. We cannot guarantee that we will be able to obtain any additional financing on commercially reasonable terms or at all. If we fail to obtain the necessary financing when needed, we may not be able to execute our mine plan and we may again be forced to place the Johnson Camp Mine on care and maintenance status.

In order for us to resume full mining operations, we will need to secure access to a mining fleet of equipment on commercially reasonable terms.

Assuming we are successful in resuming full mining operations, we now plan to utilize our own employees in the mining segment of the operations. Consequently, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million. We plan to lease this fleet under a lease to purchase option. However, we cannot guarantee that we will be able to secure such a lease on commercially reasonable terms, or at all. If we fail to secure a lease on these terms, we may need to raise additional capital or incur a significant increase in the cost of operations.

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

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

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

We have prepared estimates of future copper production; however, we cannot be certain that we will ever achieve these estimates. Our production estimates depend on, among other things: the accuracy of our reserve estimates; the accuracy of assumptions regarding ore grades and recovery rates; ground conditions and physical characteristics of the mineralization, such as hardness and the presence or absence of particular metallurgical characteristics; the accuracy of estimated rates and costs of mining and processing; and our ability to obtain and maintain all necessary permits at all levels of development and production. We are processing the copper mineralization using Leach-SX EW technology. This technique may not be as efficient or economical as we have projected. Our actual production may vary from our estimates if any of these assumptions prove to be incorrect, and we may never achieve our full production target rate of 25 million pounds of copper per annum.

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

Our operations are affected by the cost of commodities and goods such as electrical power, sulfuric acid, fuel, and supplies. Management prepares its cost and production guidance and other forecasts based on its review of current and estimated future costs. A major increase in any of these costs may have an adverse impact on our financial condition. For example, we expect that sulfuric acid and energy, including electricity and diesel fuel, will represent a significant portion of production costs at our operations, and if the costs increase, we could be negatively affected.

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

Sulfuric acid supply for SX EW projects in the southwestern U.S. is produced primarily as a smelter byproduct at smelters in the southwest U.S. and in Mexico. We have an agreement in place with a broker of acid to supply us with sulfuric acid through the end of 2013. However, we cannot be assured that the broker will be able to provide us with an adequate supply of sulfuric acid without interruptions and we continue to remain subject to market fluctuations in the price of sulfuric acid.

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

Our mining operations require water for mining, ore processing and related support facilities. Production at the Johnson Camp Mine is dependent on continuous maintenance of our water rights. Under Arizona law groundwater outside an active management area may be withdrawn and used for reasonable and beneficial use. The character of the water right - that is groundwater versus surface water - may at some point become an issue and may be subject to adjudication to the extent certain water is determined to be surface water. We are not subject to any such adjudication claims at this time. However, we cannot predict our potential involvement in or the outcome of any adjudication proceedings which may occur impacting our water rights and uses.

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

Our estimates of reserves are inherently subject to error, particularly since we have limited 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 limited operating history upon which to base estimates of proven and probable ore reserves and estimates of future cash operating costs. Such estimates are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques performed by third parties, the methodologies and results of which we have assumed - but cannot be assured - are reasonable and accurate. In addition, future operating costs are based in part on our operating experience during 2009 and the first half of 2010, which may not be indicative of future costs. Such information and certain other factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of the mineral from the ore, interruptions in the operation could affect these projected future operating results. Actual cash operating costs and economic returns based upon development of proven and probable ore reserves may differ significantly from those currently estimated. Until reserves are actually mined and processed, the quantity of reserves must be considered only as estimates.

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

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

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

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

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

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

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

Cyprus Mines Corporation (which owned the Johnson Camp property until 1989, operating under the name Cyprus Johnson Copper Company), Arimetco and Summo each used different approaches to drilling, sampling and assay analysis that may not be comparable to each other. In particular, the soluble copper assay techniques used by Arimetco for ore grade estimation are not directly comparable to the soluble copper assay techniques used by Cyprus. The use of two incomparable approaches by Cyprus and Arimetco may have led to inconsistencies in or the skewing of the data underlying our estimates, thereby increasing the risk of an overestimation of ore reserves at the Johnson Camp Mine, as well as increasing the risk of a material inaccuracy in the feasibility study.

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

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

We may require additional permits and renewals of permits to continue to operate the Johnson Camp Mine, the availability of which cannot be assured.

Although we have secured a number of permits for the operation of the Johnson Camp Mine, we still need to obtain certain additional permits for long-term operation of the mine. In addition, certain permits will require applications for renewal from time to time during the life of the project and certain permits may be suspended or require additional applications in the event of a significant or substantial change to the Johnson Camp Mine operations or prolonged inactivity. To the extent other approvals are required and not obtained, we may: (i) be prohibited from continuing mining and/or processing operations; (ii) forced to reduce the scale of or all of our mining operations; or (iii) be prohibited or restricted from proceeding with planned exploration or development of mineral properties.

Our aquifer protection permit has been made subject to a significant amendment that we will be unable to comply with without additional financing.

Although we received our aquifer protection permit (APP) in October 2010, the ADEQ notified us in December 2011 that the APP will be subject to a significant amendment. Upon its issuance, the amended APP will supersede our existing APP. Receipt of the revised APP is subject to fulfilling certain standard conditions - in particular that we make payments to the ADEQ to cover of all the fees for the application review and that we submit an updated Financial Assurance Mechanism for an additional \$575,000. We will require additional financing to meet these commitments, which are reflected in our estimate of the minimum of \$20 million dollars in additional capital that we expect we will require to resume mining operations at the Johnson Camp Mine.

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

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

The Johnson Camp property consists of 59 patented lode mining claims (889 acres), 92 unpatented lode mining claims (1,494 acres) and 509 acres of fee simple lands. The copper processing facilities and the Copper Chief and Burro bulk mining pits that serve as focal points for our mine plan are located on the patented mining claims or fee simple parcels. However, we may, in the future, mine areas that are on unpatented mining claims. Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than other real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the

complex federal and state laws and regulations under the United States General Mining Law, including the requirement of a proper physical discovery of a valuable lode mineral within the boundaries of each claim and proper compliance with physical staking requirements. Also, unpatented mining claims are always subject to possible challenges by third parties or validity contests by the federal government. The validity of an unpatented mining or mill site claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of United States federal and state statutory and decisional law. In addition, there are few public records that definitively determine the issues of validity and ownership of unpatented mining claims.

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

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

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

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

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

Our success depends on Wayne Morrison, who is currently our principal executive officer and principal financial officer, and on certain operating personnel at the Johnson Camp Mine. We face intense competition for qualified personnel, and the loss of the services of one or more of such key personnel could have a material adverse effect on our business or operations. Our ability to manage administration, production, exploration and development activities, and hence our success, will depend in large part on the efforts of these individuals. We cannot be certain that we will be able to retain such personnel or attract a high caliber of personnel in the future.

In order to be successful during and after the resumption of full operations, we will have to 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.

When we are in full operations, we will need to maintain a workforce at the Johnson Camp Mine of approximately 172 employees as well as various contractors. This requirement will place substantial demands on our Company and our management. We will be required to hire, retain, motivate and manage our employees. We have no assurance that we will be able to retain and recruit the personnel required to execute our programs or to manage these changes successfully.

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

The costs of reclamation included in the feasibility study are estimates only and may not represent the actual amounts which will be required to complete all reclamation activity. It is not possible to determine the exact amount that will be required, and the amount that we will be required to spend could be materially different than current estimates. Reclamation bonds or other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation over the life of the Johnson Camp Mine operation. Any additional amounts required to be spent on reclamation may have a material adverse effect on our financial condition and results of operations.

Our directors and officers may have conflicts of interest.

Some of our directors serve currently, and have served in the past, as officers and directors for other companies engaged in natural resource exploration and development, and may also serve as directors and/or officers of other companies involved in natural resource exploration and development in the future. We do not believe that any of our directors currently has any conflicts of interest of this nature.

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

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

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

We are now subject to certain provisions mandated by the *Sarbanes Oxley Act of 2002* that require our management (under the supervision and with the participation of our principal executive and principal accounting officers) to evaluate, on a quarterly basis, our disclosure controls and procedures, and our internal control over financial reporting. 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. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Our management, including Wayne Morrison, our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures and our internal control over financial reporting will prevent all errors and all

fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, in our Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple errors or mistakes. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions, such as growth of the company or increased transaction volume, or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

Discovery and disclosure of a material weakness in our internal control over financing reporting, by definition, could have a material adverse impact on our financial statements.

If we are unable to assert that our internal control over financial reporting is effective, certain customers or suppliers may be discouraged from doing business with us, cause downgrades in our debt ratings leading to higher borrowing costs and affect how our stock trades. This could, in turn, negatively affect our ability to access public debt or equity markets for capital. Further, such an occurrence could make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage and/or to incur substantially higher costs to obtain the same or similar coverage. It could also make it more difficult for us to attract and retain qualified personnel to serve on our board of directors, on committees of our board of directors, or as executive officers.

Our officers and directors, and four shareholders holding 5% or more of our common stock, hold a significant amount of our issued and outstanding stock which may limit non-affiliated stockholders to influence corporate matters.

In November 2009, we completed an unregistered, brokered private placement of 40 million units for total gross proceeds of \$12,000,000. Each unit consisted of one common share and one common share purchase warrant exercisable until June 5, 2012. Upon completion of the private placement, Ross Beaty, acting through a wholly-owned holding company, and Riaz Shariff acquired 34,250,000 and 5,750,000 common shares, respectively, representing approximately 31% and 5.2%, respectively, of the outstanding common shares of our Company on a post-closing basis. The warrants expired in June 5, 2012 unexercised. As of December 31, 2012, Ross Beaty and Riaz Shariff beneficially own approximately 30.9% and 5.2%, respectively, of our issued and outstanding common stock (assuming non-exercise of certain outstanding options, warrants and other rights to acquire shares of our common stock).

As of December 31, 2012, our officer and directors as a group beneficially own approximately 18.7% of our issued and outstanding common stock (assuming non-exercise of certain outstanding options, warrants and other rights to acquire shares of our common stock).

These factors may limit the ability of our non-affiliated stockholders to influence corporate matters.

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

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

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

Over the last four years, the securities markets in the United States have experienced a high level of price and volume volatility, and the market price of securities of many companies, including ours, has experienced wide fluctuations in price which have not necessarily been related to operating performance, underlying asset values or prospects. There can be no assurance that fluctuations in our share price will not continue to occur during the foreseeable future.

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

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

Our common stock has been delisted from the OTCBB due to quoting inactivity.

On February 23, 2011, our common stock was delisted from the OTC Bulletin Board (the OTCBB), and now trades exclusively on the OTCQB. According to the notice published on the OTCBB website (www.otcbb.com), our common stock is no longer eligible for quotation on the OTCBB due to quoting inactivity under SEC Rule 15c2-11. The stock will remain ineligible for quotation on the OTCBB until the Financial Industry Regulatory Authority, Inc. accepts a Form 211 filed pursuant to SEC Rule 15c2-11 by a market maker who wishes to resume quotations in the stock on the OTCBB. Our Company has no control over this process and there is no assurance that our quotation of our common stock will resume on the OTCBB in the near future or at all.

We have not obtained a tax opinion to the effect that there has not been a change of control either during the time preceding the completion of our unregistered special warrant offering in September 2007, immediately following conversion of the special warrants into the underlying shares of common stock and warrants, or in relation to our unregistered \$12 million unit offering that closed in November 2009. If a change in control is deemed to have occurred, our Company may not be able to fully utilize our net operating loss carry forwards.

At December 31, 2012, our Company had federal and state net operating loss carry forwards of approximately \$79,600,000 and \$26,200,000 respectively. We believe that for the purposes of section 382 of the Internal Revenue Code, a change of control occurred on or before November 5, 2009. However, we have not obtained a formal tax opinion to that effect. If any change of control is deemed to have occurred—for example, either during the time preceding the completion of our unregistered special warrant offering in September 2007, immediately following conversion of the special warrants into the underlying shares of common stock and warrants, or immediately following the completion of our unregistered \$12 million unit offering in November 2009—or if a change of control occurs at any time in the future, our Company's ability to fully utilize its net operating loss carry forwards in computing its taxable income will be limited to an annual maximum of the value of our Company just prior to the change in control multiplied by the long-term tax exempt rate.

Broker-dealers may be discouraged from effecting transactions in our common shares because they are considered a penny stock and are subject to the penny stock rules. This could severely limit the market liquidity of the shares.

Our common stock currently constitutes penny stock. Subject to certain exceptions, for the purposes relevant to us, penny stock includes any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share. Rules 15c-1 through 15c-9 promulgated under the United States Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on certain brokers-dealers who engage in certain transactions involving a penny stock. In particular, a broker-dealer selling penny stock to anyone other than an established customer or accredited investor (generally, an individual with net worth in excess of \$1,000,000 excluding the value of such individual's principal residence, or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse), must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

The additional sales practice and disclosure requirements imposed upon broker-dealers may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market.

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

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

Risks Related to Our Industry

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

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

In addition to adversely affecting our share price, financial condition and exploration, development and mining activities, declining metal prices can impact operations by requiring a reassessment of reserve estimates and the commercial feasibility of a particular project. Significant decreases in actual or expected copper prices may mean that a mineral resource which was previously classified as a reserve will be uneconomical to produce and may have to be restated as a resource. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays in development or may interrupt operations, if any, until the reassessment can be completed.

Our operations involve the exploration, development and production of copper and other metals, with the attendant risks of damage to or loss of life or property and legal liability.

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

Government regulations impacting the mining industry may adversely affect our business and planned operations.

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

Certain groups opposed to mining may interfere with our efforts to resume mining operations at the Johnson Camp Mine.

In North America, there are organizations opposed to mining, particularly to open pit mines such as the Johnson Camp Mine. Although we intend to comply with all environmental laws and permitting obligations in conducting our business, there is still the possibility that those opposed to the operation of the Johnson Camp Mine will attempt to interfere with our efforts to resume mining operations at the Johnson Camp Mine, whether by legal process, regulatory process or otherwise. Such interference could have an impact on our ability to operate the Johnson Camp Mine in the manner that is most efficient or appropriate or at all and any such impact would have a material adverse effect on our financial condition and results of operations.

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

All phases of our operations are subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that we anticipate will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Future changes, if any, in environmental regulation may adversely affect our operations, if any. Environmental hazards may exist on the Johnson Camp property or on properties that we hold or may acquire in the future that are unknown to us at present and that have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions 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 are not insured.

Our operations at the Johnson Camp Mine involve the use of hazardous materials. Should these materials leak or otherwise be discharged from their containment systems, we may become subject to liability for hazards or cleanup work that are not covered by our insurance.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 2. PROPERTIES

A glossary of Technical Terms appears at page 72.

Johnson Camp Property

Technical Report

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

Description and Location

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

The Johnson Camp project currently includes: two open pits; one waste dump; three heap leach pads; a crushing, agglomeration and conveying system; a SX-EW processing plant; and ancillary facilities. The Burro Pit is larger than the Copper Chief Pit and contains 60% of the project reserves. The Burro Pit is located east of the SX-EW process plant. The Copper Chief Pit is located approximately 2,000 feet northwest of the Burro Pit.

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

Figure 1: Location Map

Titles

The Johnson Camp property consists of 59 patented lode mining claims (889 acres), 92 unpatented lode mining claims (1,494 acres) and 509 acres of fee simple lands. (See Figure 2: Johnson Camp Land Status Map). Thus, the Johnson Camp property covers approximately 2,892 acres. All of the claims are contiguous, and some of the unpatented mining claims overlap. We keep the unpatented mining claims and patented claims in good standing by paying claim filing fees of approximately \$30,000 per year and property taxes on the fee simple lands. The copper processing facilities and the Copper Chief and Burro open pits that serve as focal points for our mine plan are located on the patented mining claims or the fee simple lands.

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

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

Figure 2: Johnson Camp Land Status Map

Accessibility, Climate, Local Resources, Infrastructure and Physiography

Access to the Johnson Camp property is via Interstate Highway 10 and by gravel road. Due to its location just one mile north of Interstate Highway 10, the Johnson Camp property provides excellent access for transportation and delivery of bulk supplies and shipment of copper cathodes.

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

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

The existing facilities include the SX-EW processing plant, an administrative and engineering office and warehouse, laboratory, truck shop, core storage building, plant mechanical shop, and various used vehicles, pumps and other equipment. The newly constructed crushing, conveying and stacking system include the following: One 42x65 inch gyratory crusher, conveyors feeding a 40,000 ton (10,000 ton live) coarse ore stockpile, three feeders and a conveyor that feeds two 6x20-foot screens, conveyor feeding a 100-ton surge bin, two conveyors feeding two H6800 hydrocone secondary crushers, conveyor feeding a 40,000 ton fine ore stockpile, three feeders and a conveyor feeding a 10x35-foot agglomerator, an approximate 3,000 foot overland conveyor feeding a stacking system that includes twenty-one 100-foot grasshopper conveyors and a 150-foot radial tele-stacker. The SX-EW processing plant was refurbished and expanded to handle solution from the new crushed and stacked ore and is comprised of a solvent extraction plant, an electrowinning tank house, a tank farm and four solution storage ponds. The solvent extraction plant consists of four extraction mixer-settlers and two strip mixer-settlers, and has a capacity of 2,500 to 5,000 gallons per minute depending if the circuit is in a series or parallel configuration. The electrowinning tank house consists of 88 electrowinning cells that can produce up to 25 million pounds per year. The tank farm, located in front of the tank house, is used for intermediate storage of electrolyte. The four solution storage ponds have a total capacity of approximately 18 million gallons. A new automated cathode stripping machine has been installed to strip copper cathodes from the stainless steel blanks.

The plant also includes a new cell house crane, a new boiler and associated heat exchanger, a new set of electrolyte filters, a clay filter press, and an upgrade to the transformer/rectifier, new pumper-mixers, and a sulfuric acid storage tank.

There are several access rights of way and two water wells which are located on the Johnson Camp property and one well on private land where we have access and water rights. Two additional wells are located on surrounding property where we have installed equipment to pump additional water for the mining operation as required. Potential water well sites have been identified on our land near Section 19 and could be drilled if additional water is required.

The Johnson Camp property receives electrical power from Sulphur Springs Valley Electric Cooperative (SSVEC). Effective October 1, 2009, we entered into a one year contract (with annual renewals unless either party notifies the other at least 90 days prior to the end of the current term) with SSVEC for the purchase of power. Power is received at two substations owned by us that can handle the additional power loads required for the expanded operations.

Our workforce at the Johnson Camp Mine is approximately 172 employees when fully operational. We have historically utilized contractors under our supervision for mining, drilling, blasting, loading and hauling the mined material, but have managed all other activities at the Johnson Camp Mine.

Assuming we are able to resume full mining operations, we now plan to utilize our own employees in the mining segment of the operations. Consequently, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million. We plan to lease this fleet under a lease to purchase option. If we are unable to secure such a lease on commercially reasonable terms, we may need to raise additional capital or incur a significant increase in the cost of operations.

Geological Setting and Mineralization

The Johnson Camp property is located along the east fold of the Little Dragoon Mountains in southeastern Arizona. The rocks exposed on the Johnson Camp property range from the Pinal Schist that is located at the western end of the Johnson Camp property to the Escabrosa Limestone that is located at the eastern end of the Johnson Camp property, all of which contain some quartz monzonite porphyry. In the region of the Burro and Copper Chief open pits, the copper bearing rocks dip moderately to the northeast and consist of sedimentary rocks that have been intruded by two diabase dikes.

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

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

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

Figure 3: Burro Pit Area

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

Figure 4: Copper Chief Deposit

Historic Copper Production

From 1975 to 1986, Cyprus mined approximately 15,000,000 tons of ore grading approximately 0.6 percent total copper from the Burro pit. In addition, approximately 12,000,000 tons of waste rock was produced. All ore placed on the heaps was ROM, run of mine, (that is, not crushed). In total, approximately 107,000,000 pounds of cathode copper were produced by SX EW methods. After the closure, Cyprus dismantled the SX EW plant and moved the plant to another mine. Cyprus continued to maintain ownership of the Johnson Camp property until 1989, when it sold its holdings in the district to Arimetco.

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

In 1996, based on metallurgical testing it conducted, Arimetco added a crushing plant to reduce the particle size of ore placed on the heaps in an effort to improve recoveries. The metallurgical test work indicated improved recoveries from crushed ore. Nord believed that the initial results from leaching of crushed ore placed on a new liner system

installed by Arimetco were an increase in leach solution copper grade and an improvement in recoveries to the point where they matched the metallurgical test work performed on certain ore at a similar crush size. However, crushed ore represented less than 25 percent of the total ore that Arimetco had under leach. According to the Technical Report, these operating results, along with the column leach test results, clearly support the need to crush the ore to obtain reasonable recoveries under heap leach conditions.

Production by Arimetco between 1991 and 1997 for the Burro and Copper Chief pits totaled approximately 16,000,000 tons of ore grading approximately 0.35 percent total copper and 12,000,000 tons of waste, primarily from the Burro pit, producing approximately 50,000,000 pounds of cathode copper. Arimetco achieved recoveries of approximately 43 percent of the total copper grade from mostly uncrushed ore placed on the heaps. Arimetco ceased mining operations in mid 1997.

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

Reserves

Our Company is currently in the process of revising its estimate of the proven and probable reserves at the Johnson Camp Mine. As our Company has allocated \$0 to proven and probable reserves on the consolidated balance sheets as of December 31, 2012 and 2011, a revision, if and when it occurs, is not expected to have a material impact on our Company's consolidated financial statements. Furthermore, under current market conditions, we do not believe that a revision will trigger an impairment analysis for our Company's long lived assets. A revision to the estimate of proven and probable reserves, when and if it occurs, will be accounted for on a prospective basis and will impact those items that are amortized via the units of production method specifically, property and equipment and deferred revenue.

Summary of Reserve Estimates

A summary of the Johnson Camp proven and probable reserves as of December 31, 2012 are presented in the table below. Further details on the Johnson Camp property can be found in the Technical Report.

Johnson Camp Mine Summary of Proven and Probable Reserves

Description	Tons Of Ore (mm)	Grade (% Cu)	Copper (millions of lb.)	Recoverable Copper (mm lb.)
Proven Reserves	49.6	0.340	337	256
Probable Reserves	16.6	0.327	109	83
Total	66.2	0.336	446	339

Notes:

- The ore reserves were estimated in accordance with Industry Guide 7 of the Securities and Exchange Commission (sometimes referred to in this annual report as the SEC) and CIM Guidelines.
- The actual tonnage and grade of reserves are generally expected to be within 90-95% of the estimate for proven reserves, and 70-80% for probable reserves.
- Reserves are based on a copper price of \$1.50/lb. and on total copper assays. Bikerman Engineering & Technology Associates used a copper price of \$1.50/lb.
- Reserves are based on operating costs estimated as of the second quarter of 2007.

- The internal cutoff grade used in the reserve analysis was 0.063 – 0.069 percent total copper (depending on rock type). All inferred resource blocks were treated as waste, regardless of their estimated copper grade.
- The foregoing summary of ore reserves is based on reserve estimates contained in the Technical Report. No new resource or reserve estimates have been performed; therefore, these reserves were calculated by subtracting from the original reserve estimates the material volumes reported as mined through July 2010, when mining of new ore was suspended.

Rom Leach Reserves

ROM (Run-of-Mine - not crushed) leach ore included in the proven and probable reserves is generally mineral resource in the measured or indicated classification that must be mined but is uneconomical for the complete crushing agglomerating process. ROM ore is hauled by mine trucks directly to the leach pad for leaching. Copper recovery is less than the fully processed crush and agglomerated ore but provides additional revenue to offset the total mining cost. All Cyprus ore placed on the heaps from 1975 to 1986 was ROM, and Arimetco ore placed ROM on the heaps from 1991 through 1995. All Lower Abrigo ore is mined as ROM. The physical characteristics of the Lower Abrigo are to fragmentize into small particles by blasting and thus additional crushing is unnecessary.

Other Mineralized Material

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

Readers are cautioned that, for United States reporting purposes, SEC Industry Guide 7 (under the United States Securities Exchange Act of 1934, as amended), as interpreted by Staff of the SEC, mineralized material other than reserves may not be disclosed in documents filed with the SEC. Further, under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Among other things, all necessary permits would be required to be in hand or issuance imminent in order to classify mineralized material as reserves under the SEC standards.

Drilling

Initial Drill Hole Database

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

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

Further Exploratory Drilling

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

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

These drill results have been incorporated into a new block model for both the Burro and Copper Chief pits and new economic analysis and mine plans completed in 2010 and are the basis for end of year 2011 reserves and pit limits.

We completed 6 holes of a planned 15 drill hole exploration program in the fall of 2010. The drilling tested the continuation of the geology between the Burro and the Copper Chief pits. The results confirmed that the geology in the area between the pits is similar to the geology within the pits. The results of the drill program were complete too late to be included in the new resources model and mine plan.

Mining Operations

Based on the Technical Report, we expect the Johnson Camp Mine to produce approximately 25 million pounds of copper per year, for an anticipated mine life of approximately 13 years. However, as disclosed elsewhere in this Annual Report, we suspended the mining and crushing of ore at the Johnson Camp Mine in July 2010, and laid off approximately half of our workforce at the mine.

Based on our stacking plan, the existing leach pads have sufficient surface area for approximately one more year from the date of resumption of mining operations, at which time a new leach pad and pond will have to be constructed. However, we now believe that we will not be able to achieve our targeted production rate of 25 million pounds of copper per year until we have not only resumed mining operations, but have also completed and put into full operation our planned new leaching pad, which will be about double the size of two of our existing three pads. We estimate that we would incur approximately \$18 million in capital costs for the development and construction of the new leach pad. Accordingly, our new leaching pad remains subject to financing, the availability of which cannot be assured. We expect that the new pad could be operational approximately 150 days after we receive such financing.

In addition, assuming we are able to resume full mining operations, we now plan to utilize our own employees in the mining segment of the operations. Consequently, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million. We plan to lease this fleet under a lease to purchase option. If we are unable to secure such a lease on commercially reasonable terms, we may need to raise additional capital or incur a significant increase in the cost of operations.

Assuming that we are able to resume mining operations, our current operating plan for the crushed ore would remain as follows: The ore would be crushed to a P-80 of one inch (80% is less than one inch) and sulfuric acid would be added to the ore in the agglomerator, where the leaching kinetics would begin. The ore would be stacked on the leach pads at a height of 20 feet and a raffinate solution would be applied at varying application rates and leached for approximately 150 days. Once the new material has been placed on the pads and leached for approximately 150 days, a second 20-foot lift would be placed on the pads.

The open pit mining process encounters a fair amount of low grade material that does not contain sufficient recoverable copper to justify the crushing and agglomerating costs. However, it does contain sufficient recoverable copper to help offset mining costs. Early in 2010, the Johnson Camp Mine began sending low grade ore directly to the heap leach dumps without crushing to minus a P-80 of 1 inch. Therefore, we expect that the process for run-of-mine ore would remain as follows: The ore would be hauled with mine haul trucks directly to leach dump and stacked in 20 foot lifts. A raffinate solution would be applied at varying application rates and leached. New run-of-mine ore would be stacked on top as space is required.

Use of Total Copper Assays

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

Total copper values were available for both the Copper Chief and Burro deposits. The database of acid soluble copper values for the Burro deposit reflects two different analytical techniques: (a) a conventional acid soluble method used by Cyprus for 94 of the holes included in the drill hole database; and (b) a more aggressive methodology used by Arimetco for the other 48 drill holes included in the database for the purpose of estimating the ultimate recoveries that may be experienced in the heaps at the Johnson Camp Mine. In summary, total copper assays were the only common denominator for all drill hole assays included in the drill hole database. A reserve estimate based on total copper is an indirect measurement of the amount of copper that is metallurgically available for recovery. Accordingly, there is a risk that reserves model based on total copper values may have over-estimated the amount of recoverable copper. (See Risk Factors – Risks Related to Our Company).

Data Verification

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

Inter Company Verifications

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

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

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

Intra Company Verifications

The Johnson Camp Mine was operated by Cyprus and Arimetco and evaluated by Summo prior to our Company s ownership of the Johnson Camp property. Arimetco conducted drilling and assaying that confirmed the work of Cyprus, and Summo conducted mapping, drilling and assaying that confirmed the work of Cyprus and Arimetco. Bikerman Engineering & Technology Associates concluded that it is a very compelling verification procedure when a second and third company does confirmation drilling and assaying, with different drilling techniques and analytical labs, and the data is correlative.

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

Third Party Reviews

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

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

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

Reconciliations

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

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

Additional Third Party Review

A third party consulting firm observed, and Bikerma Engineering & Technology Associates concurred, that the basic information upon which verification relies is available for the Johnson Camp Property, including: pre mine and post mine mapping; drill hole geological logs; copies of daily drill reports; drill core sampling procedures (Cyprus); original or copies of original assay certificates from commercial analytical labs and the Cyprus Johnson Camp Mine lab; documented sample preparation and analytical procedures; standard analytical procedures used by laboratories, several vintages of geological maps, rock density procedures by an independent laboratory; blast hole pattern assay maps; production records as truck counts to leach dumps; actual production records (from blast holes) versus forecast production (from the deposit model); pre feasibility and feasibility reports; current availability of geological personnel who actually performed some of the work; and a limited library of core samples and sample pulps.

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

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

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

In summary, all four levels of data verification revealed only minor database errors. Bikerman Engineering & Technology Associates concluded that the minor database errors were within acceptable levels, and they had no reason to believe that the Johnson Camp resource database does not accurately reflect the drill logs.

Metallurgical Test Work

Metallurgical testing was completed in three programs. The first was authorized by Arimetco in May 1995 and was completed at an independent laboratory. The two ore samples that were subjected to testing were collected at the Johnson Camp Mine by Arimetco personnel and consisted of, respectively, approximately 2,000 pounds of run of mine schist/shale ore and 8,500 pounds of run of mine Diabase ore. Seven column tests were used to evaluate the influence of crush size on copper extraction and each ore was tested at a nominal crush size of three inches and a nominal crush size of one inch. The results of the tests showed that when leached for 60 days, crushing the ore significantly increased the copper extraction for both sizes of crushed ore. The ore was still leaching copper when the test program was stopped at 60 days.

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

The third test program was authorized by our Company in August 2010 and was completed at a column leach test facility constructed on the mine site. Leach Inc., an independent contractor, supervised all phases of the column leach tests. Nord personnel collected the bulk ore samples from the Burro and Copper Chief pits. One sample of each of the four major rock formations was taken from each of the two pits. One sample of the Lower Abrigo Formation, Bolsa Quartzite, Diabase and Pioneer Shale were taken from the Burro Pit and the same rock formations were taken from the Copper Chief Pit. The locations of the eight bulk samples were based on preliminary channel sampling. The samples were crushed to P/80 minus one inch agglomerated, and loaded into eight-8 inch test columns 20 ft. in height. After a three day cure, leach solution made up of JCM raffinate to which acid had been added was pumped to each column at the rate of 0.0043 gallons per minute/ft². PLS from each column was collected daily, analyzed, and both copper recovery and acid consumption calculated. The column tests ran for up to 111 days. The data suggests that the current assay method for determining acid soluble copper significantly underestimated the percentage of the copper which is actually soluble under the operating conditions at the Johnson Camp mine. The Company has decided not to make adjustments at this time to the existing mine plan but will monitor results and make appropriate adjustments when it restarts the mining of new ore.

Copper mineralogy varies within the deposits. In the Burro pit, approximately 76.5% of the total estimated ore reserve tonnage is located above a depth of 4,560 feet in a zone dominated by the copper oxide minerals chrysocolla and malachite. Some native copper has been observed disseminated throughout this range. In addition to copper oxide mineralization, copper sulfide mineralization is evident below an elevation of 4,600 feet in a mixed zone. Sulfide minerals, which typically convert to oxides on exposure to oxygen, are not as amenable to heap leach copper recovery techniques as oxides. The new reserve block model is based only on acid soluble copper assays which indicate copper oxide minerals amenable to leaching.

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

In summary, the new reserve block model is based on acid soluble copper assays and should more accurately predict recoverable pounds of copper from ore placed on the leach pads.

The forecasted recoveries of copper that were reviewed by Bikerma Engineering & Technology Associates in preparing their technical report are based on the column tests and are dependent on the crushing of the ore to a nominal size of one inch. The Arimetco test program indicated the importance of this parameter. Cyprus operated the Johnson Camp Mine for a run of mine operation whereby non crushed ore was placed on the leach pads. Arimetco also ran the Johnson Camp Mine as a run of mine operation until late 1995 at which time it began crushing the ore to approximately 3 inches. Our current copper recovery estimates provide for extracting 100 percent of the acid soluble copper content of the ore mined, with crushing to a nominal size of one inch.

According to Cyprus records, it achieved copper extraction of up to 80 percent of the acid soluble copper from uncrushed, run of mine material. However, the Arimetco operation, which leached new run of mine ore, old Cyprus run of mine ore, and 4,300,000 tons of ore reported to have been crushed to a nominal size of three inches, achieved copper recovery (from 1991 through 1998) of 43 percent of total copper. Arimetco records do not distinguish between copper extracted from old Cyprus material, new run of mine ore, and new crushed ore.

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

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

Water Supply

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

Production water for the Johnson Camp Mine is currently supplied from three wells controlled or located on the Johnson Camp property and from two wells located on private land adjacent to our property. In late October 2009, the failure of a well casing in one of our wells that provides make-up water for our leaching operation resulted in several months of below forecasted pregnant leach solution flow rates through our SX plant, and copper production was adversely affected. By early January 2010, we had placed two new wells into operation which have resulted in significantly improved pregnant leach solution flow rates that now are at the levels necessary to achieve our production targets when fully operational. However, it may be necessary to drill additional wells on our property in order to expand our leaching operation or make additional upgrades to existing wells.

Consideration is being given to once again tapping into the water source of the well that suffered a collapse of its well casing by drilling a new well beside the location of the aforementioned malfunctioning well, as it is believed that there remains a significant water resource that could produce an additional 200-300 gallons per minute. In addition, recent drilling associated with geophysical testing demonstrated that that particular well was capable of producing 130 gallons per minute. Activation of these two wells in combination could likely produce, in themselves, nearly 50% of the water requirements for Johnson Camp Mine's operation.

In August 2010, we entered into an agreement with a nearby rancher for the purchase of water from any of his three wells that have a capacity of approximately 500 to 600 gallons per minute which is currently approximately 150% more than is required at this time. The aquifer associated with these wells has been tested revealing that the sustainable yield of the aquifer is greater than 1600 gallons per minute.

Royalty Obligations

Arimetco

Copper metal produced from the Johnson Camp Mine is subject to a \$0.02 per pound royalty payable to Arimetco when copper prices are in excess of \$1.00 per pound. The royalty is capped at an aggregate of \$1,000,000. During 2012 and 2011, the Company accrued royalty expense of \$45,140 and \$71,643, respectively, and made payments thereon of \$36,250 and \$105,000, respectively. As of December 31, 2012, the Company has incurred and paid a total of \$521,294 and \$393,231, respectively, under this commitment. Accordingly, the total amount accrued under this obligation as of December 31, 2012 is \$128,063 and is included within accounts payable on the consolidated balance sheet.

Royal Gold

During March 2009, the Company sold a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp to Royal Gold (formerly known as IRC Nevada Inc.), for net proceeds of approximately \$4,950,000. This amount was recorded on the consolidated balance sheet as deferred revenue and is being amortized to revenue over the life of the mine based on a units of production method basis. During 2012 and 2011, the Company accrued royalty expense of \$203,427 and \$361,069, and made payments thereon of \$15,000 and \$195,000, respectively. Accordingly, the total amount accrued under this obligation as of December 31, 2012 and 2011 is \$1,350,182 and \$1,161,755, respectively, and is included within accounts payable on the consolidated balance sheets.

Under the terms of the related agreement, amounts that are not paid to Royal Gold in accordance thereof accrue interest at an annual rate of 12%. Accordingly, as of December 31, 2012 and 2011, \$247,042 and \$110,269, respectively, in accrued interest was included in accrued interest on the consolidated balance sheets.

United States Mining and Environmental Laws

Arizona State Mining Laws

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

Our exploration activities in the United States are subject to regulation by governmental agencies under various mining and environmental laws. The nature and scope of regulation depends on a variety of factors, including the type of activities being conducted, the ownership status of land on which the operations are located, the nature of the

resources affected, the states in which the operations are located, the delegation of federal air and water pollution control and other programs to state agencies, and the structure and organization of state and local permitting agencies. We evaluate our projects in light of the cost and impact of current regulations on the proposed activity, and evaluate new laws and regulations as they develop to determine the impact on, and changes necessary to, our operations.

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

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

U.S. Federal and State Environmental Law

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

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (CERCLA), imposes strict, joint, and several liability on parties associated with releases or threats of releases of hazardous substances. Liable parties include, among others, the current owners and operators of facilities at which hazardous substances were disposed or released into the environment and past owners and operators of properties who owned such properties at the time of such disposal or release. This liability could include response costs for removing or remediating the release and damages to natural resources. Arizona's analogue to CERCLA, is the Water Quality Assurance Revolving Fund (WQARF) statute.

Under the Resource Conservation and Recovery Act (RCRA) and related state laws, including the Arizona Hazardous Waste Management Act (HWMA), the generation, transport, treatment, storage, and disposal of hazardous or solid wastes associated with certain mining related activities are highly regulated. Administration of the federal RCRA programs was delegated to Arizona and is handled through the HWMA. RCRA and HWMA costs may also include corrective action or clean up costs. Failure to comply can create a fineable condition.

Mining operations may produce air emissions, including fugitive dust and other air pollutants, from stationary equipment, such as crushers and storage facilities, and from mobile sources such as trucks and heavy construction equipment. All of these sources are subject to review, monitoring, permitting, and/or control requirements under the federal Clean Air Act and related state air quality laws. The substantive requirements of the Clean Air Act, including permitting and enforcement of standards are administered by Arizona and certain counties depending upon the size and nature of sources of air emissions. Air quality permitting rules may impose limitations on our production levels or create additional capital expenditures in order to comply with the permitting conditions and regulated emissions. In August 2008, we received an air quality permit from ADEQ.

Under the federal Clean Water Act and delegated state water quality programs, point source discharges into Waters of the United States are regulated by the National Pollution Discharge Elimination System (NPDES) program. Section 404 of the Clean Water Act regulates the discharge of dredge and fill materials into Waters of the United States, including wetlands. Storm water discharges also are regulated under the storm water program. All of those programs impose permitting and other requirements on our operations. Arizona has been delegated authority under the federal NPDES permitting program. We maintain an active Storm Water Pollution Prevention Plan onsite and regularly update the plan according to new rules and/or changes in on-site conditions. In addition, certain proposed activities (increased heap leach pad capacity, new ponds and waste dump facilities) may require a U.S. Army Corps of Engineers section 404 Dredge & Fill Permit. We are examining this in more detail.

We have also adopted a Spill Prevention Control and Counter Measures Plan.

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

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

The Endangered Species Act (ESA) is administered by the U.S. Department of Interior's U.S. Fish and Wildlife Service. The purpose of the ESA is to conserve and recover listed endangered and threatened species of flora and fauna and their habitat. Under the ESA, endangered means that a species is in danger of extinction throughout all or a significant portion of its range. Threatened means that a species is likely to become endangered within the foreseeable future. Under the ESA, it is unlawful to take a listed species, which can include harassing or harming members of such species or significantly modifying their habitat. Arizona has similar laws protecting wildlife and native plants. We conduct wildlife and plant inventories as required as part of the environmental assessment process prior to initiating exploration projects.

Under Arizona's Aquifer Protection Permit Program, facilities that discharge, including certain mining operations, are required to obtain an Aquifer Protection Permit (APP).

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

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

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

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

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

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

In October 2010, the Arizona Department of Environmental Quality (ADEQ) issued an Aquifer Protection Permit (APP) for the Johnson Camp Mine property.

As previously disclosed in our annual report on Form 10-K for the year ended December 31, 2011, our Company and ADEQ reached an agreement to settle the all unresolved issues resulting from previously issued Notices of Violation in respect of our APP for a penalty of \$65,000 and Nord's completion of several monitoring wells and the installation of drinking water system under a definitive schedule. These improvements were completed by June of 2011 at an estimated cost approximately \$400,000. In conjunction with this settlement, ADEQ also agreed to the termination of the outstanding Compliance Order. A Consent Judgment in Superior Court reflecting these key provisions resolving these matters was finalized in April 2011. As of September 30, 2012, the liability was paid in full.

In December 2011, Nord received notification from the ADEQ that it has made the APP subject to a significant amendment. Receipt of the amended APP is subject to fulfilling certain standard conditions -in particular, that Nord pay fees to ADEQ for the technical review of the application for the APP, and that Nord submit an updated Financial Assurance Mechanism (reclamation bond) for an additional \$575,000.

The Company plans to finance this as part of the funding to build the new leaching pad, if such funding becomes available. Upon its issuance, the amended APP will supersede the APP issued in October 2010.

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

U.S. Federal and State Reclamation Requirements

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

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

Our Reclamation and Closure Plan

The previous owner of the Johnson Camp property, Arimetco Inc., had no reclamation or closure plans, nor is there a bond outstanding to perform reclamation and closure activities. We submitted our reclamation and mine closure plan to the Arizona State Mine Inspectors Office in July 2007 which plan contemplates reclaiming all mining disturbances occurring after 1987 to a level that will support the designated post-mining land use. Open pit mines are excluded from reclamation requirements; however, waste dumps, tailing piles, leach facilities, process water ponds, site buildings and roadways will require closure and reclamation.

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

Our closure plan includes measures to be taken to prevent discharges of pollutants from the facility after operations cease, the methods that we will use to secure the facility, and any other measures needed to protect groundwater resources, including post-closure monitoring and maintenance as needed. Mine closure costs from existing and future impacts of the contemplated operations have been estimated to total approximately \$10,100,000 based on 2011 dollars. The Company projects that these costs to be predominately incurred in 2023 and 2024, at the end of the Johnson Camp Mine's estimated useful life.

Status of Permits Summary

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

Status

Permit

Air Quality Permit	In August 2008, an air quality permit was issued from the ADEQ which permitted construction and further mining and crushing operations at the Johnson Camp Mine.
Hazardous Material Transport and Storage	None Required. Material Safety Data Sheets are maintained on property.
Explosives Storage and Use	Mining Contractor is responsible for use and storage of explosives and is permitted accordingly.
Weights and Measures	Site is licensed by the Arizona Department of Weights and Measures for the weighing of cathode copper for shipment and sale.
Aquifer Protection Permit (APP)	APP issued by ADEQ in October 2010; APP made subject to an amendment in December 2011. Receipt of amended APP is subject to fulfilling certain standard conditions: Nord to pay fees to ADEQ for the technical review of the APP application, and submit an updated Financial Assurance Mechanism (reclamation bond) for an additional \$575,000.
Storm Water National Pollutant Discharge Elimination System	Permit number AZR05B377 issued on March 7, 2001. A Storm Water Pollution Prevention Plan has been fully developed and was revised and updated in December 2008.
Water Supply	4 existing wells are permitted: Moore Mine (#36 66376), Republic Mine (#36 66377), Black Prince Mine (#36 66378) and Section 19 Well (#36 66379). Nord is currently working with its engineering consultant and ADEQ for approval of an on site drinking water system.
Reclamation and Mine Closure Plan	A Revised and Updated Reclamation and Mine Closure Plan with adequate financial assurances was submitted to the Arizona State Mine Inspectors Office in December, 2011. The Plan is under review.

Landscape and Aggregate Rock Operation

The Johnson Camp property includes decorative and structural stone operations, which produce landscape and aggregate rock from the overburden piles at the Johnson Camp Mine. We currently lease the landscape rock operation to Texas Canyon Rock & Sand in exchange for royalty payments based on tons sold. In October 2012, we received \$180,000 from Texas Canyon Rock & Sand in exchange for \$204,000 in royalty payment credits. As of December 31, 2012, the Company owed \$136,930 in royalty payment credits.

The rock currently being sold for landscaping purposes is bolsa quartzite, and is known in the market as Coronado Brown. We caused Cochise Aggregates and Materials, Inc. to certify Coronado Brown Landscape Rock as a trade name in the State of Arizona on July 15, 2005. We do not consider that the landscape and aggregate rock operations material to our financial results of operation.

OTHER PROPERTIES

Texas Arizona Mines Project

In July 2004, we entered into an option agreement with an individual named Shirley Bailey to acquire a 100% interest in four unpatented mining claims for a polymetallic exploration target in Cochise County, Arizona, known as the Texas Arizona Mine. We paid \$980 to acquire the option in 2004 and an additional \$10,000 in 2008 to exercise the option. The claims are located in the Johnson Mining District approximately three miles from the Johnson Camp Mine. We did not consider these claims to be material to our overall operations, and we abandoned them in 2011, writing off the \$10,980 amount formerly capitalized.

ITEM 3. 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.

ITEM 4. MINE SAFETY DISCLOSURES

We are required to disclose in this report certain information about the Company's U.S. mining operations, including the number of certain types of violations and orders issued under the Federal Mine Safety and Health Act of 1977 by the U.S. Labor Department's Mine Safety and Health Administration. Information concerning such safety information related to our Company's U.S. mining operations or other regulatory matters required to be disclosed for the year ended December 31, 2012 is included as Exhibit 95.1 to this annual report on Form 10-K and incorporated by reference herein.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock commenced trading on the Toronto Stock Exchange (TSX), in Canadian dollars, under the symbol **NRD** on January 21, 2008, and on the OTC Bulletin Board (OTCBB) under the symbol **NRDS** on March 5, 2008.

Our common stock was delisted from the TSX with effect from the close of market on July 30, 2010 due to our Company's inability to meet the continued listing requirements of the TSX.

On February 23, 2011, our common stock was delisted from the OTCBB, and now trades exclusively on the OTCQB. According to the notice published on the OTCBB website (www.otcbb.com), our common stock is no longer eligible for quotation on the OTCBB due to quoting inactivity under SEC Rule 15c2-11. The stock will remain ineligible for quotation on the OTCBB until the Financial Industry Regulatory Authority, Inc. accepts a Form 211 filed pursuant to SEC Rule 15c2-11 by a market maker who wishes to resume quotations in the stock on the OTCBB.

The following table sets forth, for the calendar periods indicated, the high and low closing sale price of our common stock on the OTCQB, and on the OTCBB until its delisting from that market. The prices

relating to the OTC markets reflect inter dealer prices, without retail mark up, markdown or commission and may not represent actual transactions.

OTCQB

	2012		2011	
1 st Quarter	\$0.05	0.10	\$0.17	0.25
2 nd Quarter	0.05	0.10	0.12	0.25
3 rd Quarter	0.05	0.06	0.10	0.16
4 th Quarter	0.02	0.05	0.05	0.10

OTCBB

	2011	
1 st Quarter ⁽¹⁾	\$0.15	0.28
2 nd Quarter	N/A	
3 rd Quarter	N/A	
4 th Quarter	N/A	

1) Effective on February 23, 2011, our common stock was delisted from the OTC Bulletin Board

Holders

The number of record holders of our common stock, \$0.01 par value, as of March 15, 2013 was 1,888.

Dividends

We have not, since the date of our incorporation, declared or paid any dividends on our common shares. In addition, pursuant to the terms of our Amended and Restated Credit Agreement with Nedbank, we are restricted from paying dividends or making distributions on shares of our common stock. Therefore, we anticipate that we will retain future earnings and other cash resources for the operation and development of our business for the foreseeable future. The payment of dividends in the future will depend on our earnings, if any, and our financial condition and such other factors as our board of directors considers appropriate.

Equity Compensation Plans

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

A total of 11,000,000 shares of common stock have been reserved for issuance under all awards that may be granted under the Amended and Restated 2006 Stock Incentive Plan. Eligible Participants who are entitled to participate in the Amended and Restated 2006 Stock Incentive Plan consist of employees, directors and consultants of (a) our Company or (b) any of the following entities: (i) any parent corporation as defined in section 424(e) of the Internal Revenue Code of 1986, as amended (the Code); (ii) any subsidiary corporation as defined in section 424(f) of the Code; or (iii) any business, corporation, partnership, limited liability company or other entity in which our Company, a parent corporation or a subsidiary corporation holds a substantial ownership interest, directly or indirectly.

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

- (a) the Administrator will be a Committee of the Board of Directors of our Company appointed to act in such capacity, or otherwise, the Board of Directors itself;
- (b) each Award will be subject to a separate award agreement (an Award Agreement) to be executed by our Company and the Grantee, which shall specify the term of the Award; and
- (c) subject to applicable laws, including the rules of any applicable stock exchange or national market system, the Administrator will be authorized to grant any type of Award to an Eligible Participant (9a Grantee) that is not inconsistent with the provisions of the plan, and the specific terms and provisions of which are set forth in an Award Agreement, and that by its terms involves or may involve the issuance of: (i) shares of common stock, (ii) a stock option, (iii) a stock appreciation right entitling the Grantee to acquire such number of shares of common stock or such cash compensation as will be determined by reference to any appreciation in the value of our Company's common stock, (iv) restricted stock issuable for such consideration (if any) and subject to such restrictions as may be established by the Administrator, (v) unrestricted stock issuable for such consideration (if any) on such terms and conditions as may be established by the Administrator, (vi) restricted stock units, subject to such restrictions as may be imposed by the Administrator, and represented by notional accounts maintained in the respective names of the Grantees that are valued solely by reference to shares of common stock of our Company and payable only in shares after the restrictions have lapsed, (vii) deferred stock units issuable to eligible directors in lieu of certain eligible remuneration otherwise payable in shares of common stock, subject to settlement in accordance with the terms and conditions of the Award and represented by notional accounts maintained in the respective names of the Grantees, (viii) dividend equivalent rights, which are rights entitling the Grantee to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock, (ix) any other security with the value derived from the value of our Company's common stock, or (x) any combination of the foregoing.

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

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

Under the Amended and Restated 2006 Stock Incentive Plan, stock options may be granted as either incentive stock options under section 422 of the Code and the related regulations, or as non incentive stock options under section 83 of the Code. As of December 31, 2012, we have granted a total of 9,704,243 non qualified stock options, 5,403,797 DSUs and 200,000 incentive stock options under the Amended and Restated 2006 Stock Incentive Plan. In addition, 4,657,413 previously issued non qualified stock options have been cancelled.

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

To date, certain equity-based fees have been paid to our non-executive directors in the form of awards issued pursuant to our Company's Amended and Restated 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of our non-executive directors exercised such rights in respect of the equity-based fees payable to him for services rendered during the year ended December 31, 2012.

The following table provides a summary of the number of stock options and deferred stock units under equity compensation plans outstanding as at December 31, 2012.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Equity compensation plans approved by security holders	8,821,394 ⁽¹⁾	0.18 ⁽³⁾	349,373
Total⁽²⁾	8,821,394⁽¹⁾	0.18⁽³⁾	349,373

Notes:

- (1) Includes 4,438,494 shares of common stock reserved for issuance in connection with stock options granted under the 2006 Stock Incentive Plan, and 4,382,900 shares of common stock reserved for issuance in connection with deferred stock units granted to our Company's non-executive directors under the 2006 Stock Incentive Plan. A total of 1,193,182 deferred stock units were not issued until January 2013, but are included in this table as they were issued to our non-executive directors in respect of services rendered during the quarter ended December 31, 2012.
- (2) Includes certain options granted to executive officers pursuant to employment agreements described in more detail under the caption "Employment Contracts and Termination of Employment and Change In Control Arrangements."
- (3) The deferred stock units are disregarded for purposes of calculating the weighted average exercise price of outstanding options.

Recent Sales of Unregistered Securities

During the year ended December 31, 2012, we did not issue any securities without registration under the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not purchase any of our shares of common stock or other securities during the year ended December 31, 2012.

ITEM 6. SELECTED FINANCIAL DATA

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

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

The following discussion of our financial condition, changes in financial condition and results of operations for the years ended December 31, 2012 and 2011 should be read in conjunction with our most recent audited consolidated financial statements for the years ended December 31, 2012 and 2011, which are included in this annual report, and the related notes to the financial statements. This discussion contains forward looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward looking statements as a result of many factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this annual report.

Overview of Our Business

We are a copper mining company and our principal asset is the Johnson Camp property located in Dragoon, Arizona. The Johnson Camp property includes the Johnson Camp Mine, an integrated open pit copper mine and a production facility that uses the solvent extraction, electrowinning (SX-EW) process. The Johnson Camp Mine includes two existing open pits, namely the Burro and the Copper Chief bulk mining pits. We commenced production of copper from new ore in February 2009 and achieved commercial copper cathode production from newly-mined ore on April 1, 2009. In July 2010, we announced that in order to reduce costs, maximize cash flow, and improve our operating efficiencies, we had suspended the mining and crushing of ore at the Johnson Camp Mine and laid off 43 people, representing approximately half of our workforce at the mine. We have continued to produce copper through the leaching of ore already in place on our existing pads and processing the solution through the SX-EW plant.

We are currently in default under our Credit Agreement with Nedbank and our Copper Hedge Agreement with Nedbank Capital and our unsecured note with Fisher Industries. Nedbank, Nedbank Capital, and Fisher Industries have not exercised their respective rights to note us in default. However, our Company's continuation as a going concern is dependent upon our ability to refinance the obligations under the Credit Agreement and the Copper Hedge Agreement, raise approximately \$20 million dollars in additional capital, and on our ability to produce copper to sell at a level where our Company becomes profitable and generates cash flows from operations, all of which is uncertain.

In July 2010, we suspended the mining and crushing of ore at the Johnson Camp Mine and laid off approximately half of our workforce at the mine. We have continued to produce copper through the leaching of ore already in place on our existing pads and processing the solution through the SX-EW plant. We expect that the production level will continue to steadily decline unless mining and crushing operations are resumed.

We will not be able to achieve our targeted production rate of 25 million pounds of copper per year until we have resumed mining operations, and have completed and put into full operation our planned new leaching pad. We estimate that we would incur approximately \$18 million in capital costs for the development and construction of the new leach pad. Accordingly, our new leaching pad remains subject to financing, the availability of which cannot be assured.

In addition, assuming we are able to resume full mining operations, we now plan to utilize our own employees in the mining segment of the operations. Consequently, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million. We plan to lease this fleet under a lease to purchase option. If we are unable to secure such a lease on commercially reasonable terms, we may need to raise additional capital or incur a significant increase in the cost of operations.

If we are unable to obtain financing, we expect to be able to continue our residual leaching and solvent extraction/electro-winning operations for the foreseeable future, assuming that neither Nedbank, Nedbank Capital nor Fisher Industries exercises its rights to note us in default, our vendors continue to provide us goods and services in accordance with existing terms and conditions, both copper prices and our costs (in particular, the cost of sulfuric acid) remain at or near current levels, and our copper recovery rate and copper production trends remain consistent with the average recovery rate and production trends that we have experienced for the last twelve months (none of which can be assured). Any actions by Nedbank, Nedbank Capital or Fisher Industries to enforce their respective rights could force us into bankruptcy or liquidation, and we will not be able to continue as a going concern.

Furthermore, if our residual leaching and solvent extraction/electro-winning operations become economically unviable, we would be forced to terminate our operations, significantly reduce our workforce, place the Johnson Camp Mine on a care and maintenance program, and, perhaps, sell some of our assets (subject to the consent of our secured creditors, as appropriate).

Our Plan of Operations

Overview

We commenced the reactivation process at the Johnson Camp Mine in late June 2007. Our current operational plan includes resumption of mining and crushing activities at the Mine with the view to realizing our estimated full production rate of 25 million pounds of copper cathode per annum. However, our operational plan is subject to our ability to refinance our obligations under our Credit Agreement with Nedbank, our Copper Hedge Agreement with Nedbank Capital and our unsecured note payable to Fisher Industries, and on our ability to raise approximately \$20 million dollars in additional capital (including the estimated \$18 million that we would require to cover the capital costs of developing and constructing our planned new leach pad). As noted above, we will also need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million, preferably under lease to purchase options.

Since reactivating the Johnson Camp Mine and commencing commercial production from newly mined ore in April 2009, we made considerable progress both in our mining and processing operations. However, we have also encountered a number of challenges that have caused us to miss our targets with respect to copper output, earnings, and cash flow. Some of the challenges that we incurred are not unusual for a start-up or reactivation of a mining operation, but some were unexpected, such as the failure of a well casing in a primary water supply well in late October 2009 which contributed to several months of lower-than-forecasted flow rates of pregnant leach solution through our SX plant. This, together with unusually dry weather in the last quarter of 2009, resulted in lower-than-expected copper production.

In early January 2010, we placed two new wells into operation at a capital cost of approximately \$400,000. This resulted in significantly increased flow rates that now are at the levels that we forecasted as necessary to achieve our production targets. In the first quarter of 2010, however, we experienced periods of heavier-than-usual rainfall, which resulted in dilution of the leach solution and turbidity problems in the solvent extraction plant, again causing some lower-than-expected production.

In addition, forecasting copper production during a ramp-up period is difficult for any reactivation of a leaching operation where residual leaching was previously done for an extended period of time. During residual leaching, copper is extracted from ore that was retained in the pads during normal operations. When new ore is placed on top of these pads, some of this new copper is retained in the old pads until a more steady state is reached. This copper will eventually be extracted over time, but during a ramp-up period, it is difficult to forecast production. During the ramp up, we have underestimated the magnitude of copper that has been retained in the pads.

Due to continued copper recovery issues with the existing leach pads combined with a reduction in the amount of mining activity stemming from inadequate capital, we were unable to become cash flow positive in the second quarter of 2010 as anticipated. As a result, on July 2, 2010, we suspended the mining and crushing of new ore to increase cash flow with the goal of building a new leach pad. All other operations, including leaching, SX-EW and copper production, are continuing.

Effective December 31, 2010, based upon the historical results of the Johnson Camp Mine, with specific focus on the recovery rates of copper mined from January 1, 2009 to June 30, 2010, we revised our metallurgical recovery rate from 76.5% to 60%. Accordingly, based upon this estimate change, we took a one-time non-cash charge to cost applicable to copper sales for \$8,551,783 due to the reduction of an estimated 7,260,159 pounds of recoverable copper in the current leach heaps.

As explained in more detail below, we are now in default under our credit agreement with Nedbank and our copper hedge agreement with Nedbank Capital and our unsecured note with Fisher Industries. However, Nedbank, Nedbank Capital and Fisher Industries have not exercised their respective rights to note us in default. Accordingly, we intend to continue with our operations in the ordinary course, as we aggressively pursue certain opportunities that we have generated to refinance and/or recapitalize our Company.

We continue to target a production rate of 25 million pounds of copper per year. However, we cannot achieve this at least until we have completed and put into full operation our planned new leaching pad. We expect that the new pad, which will be about double the size of two of our existing three pads, could be operational approximately 150 days after we have obtained the financing needed to build it (which cannot be assured at this time). We estimate that we would incur approximately \$18 million in capital costs for the development and construction of the new leach pad and will require an additional \$2 million in working capital. As a part of the capital costs for the development and construction of the new leach pad, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million, preferably under lease to purchase options.

Our business, and our ability to realize our business objectives and implement our operating plan, are subject to a number of additional risks and uncertainties, including those discussed under the heading Risk Factors .

Credit Agreement with Nedbank Limited, as Lead Arranger

We entered into a Credit Agreement dated June 28, 2007 with Nedbank Limited, as administrative agent and lead arranger, which provided for a \$25 million secured term loan credit facility. The Credit Agreement was amended and restated as of June 30, 2008, and provided for a series of term loans to be funded from time to time by a syndicate of lenders in response to draw-down requests by our Company, with the aggregate amount of all term loans being \$25 million. As of December 31, 2010, all of the \$25,000,000 had been drawn down on the loan. The Credit Agreement is collateralized by substantially all of the Company's assets, restricts the Company from incurring certain additional debt, and limits the Company's ability to pay dividends and make restrictive payments. Effective March 31, 2009, the Company must comply with certain financial covenants, as defined in the amended and restated credit agreement. Proceeds from the loan have been used to fund the purchase and installation of equipment associated with the reactivation of the Johnson Camp Mine.

In March 2009, we agreed to further amend and restate our \$25 million credit agreement with Nedbank. Although payments of principal and interest on the loan are required to be made on the last business day of March, June, September, and December in each year, starting with the last business day of September 2009 and ending on the last business day of March 2013, the payments scheduled to be paid on March 31 and June 30, 2009 (the Deferred Payments) have been deferred until December 31, 2012 and March 31, 2013, respectively. The loan, in a non-default status, bears interest at an annual rate equal to LIBOR for the interest period in effect plus a margin of 6.06% . The margin will be reduced by 1.75% if we prepay the deferred payments, and will be reduced by an additional 0.5% upon meeting the requirements under the completion test of the Johnson Camp Mine, as defined in the amended and restated credit agreement. However, the preceding terms are based upon the Company being in good standing with Nedbank and not in default with the terms of the credit agreement, as amended and restated.

The Company was unable to make the quarterly payments of principal in the amounts of \$1,790,099 that were due between March 31, 2010 and December 31 2012, respectively and interest payments totaling \$7,363,900 during the same time period to Nedbank under the terms of the amended and restated credit agreement dated March 31, 2009. The Company is now in default of its obligations under the credit agreement with Nedbank, and the full amount of the outstanding principal of \$23,257,826 is included in the Company s current liabilities. Given this default, Nedbank has full authority to exercise its rights under the credit agreement, including the acceleration of the full amount due thereunder and the institution of foreclosure proceedings against the Johnson Camp Mine. In accordance with the credit agreement, upon missing the March 31, 2010 principal and interest payment, the interest rate on the outstanding debt and unpaid accrued interest is increased by 3.00% to LIBOR plus 9.06% .

In accordance with the credit agreement, a default on the derivative contracts to which Nedbank is the counterparty would trigger a cross default under the credit agreement which would put Nedbank in a position to pursue any and all remedies under the related derivative contracts and credit agreement. Furthermore, under the credit agreement and derivative contracts, there is a master netting agreement which allows either party to offset an obligation by the other should either party be in default of its obligations. The Company was unable to make the required payments that were due to Nedbank Capital between April 6, 2010 and January 6, 2012 under the terms of its Copper Hedge Agreement. As of December 31, 2012, the total amount due to Nedbank Capital as a result of these missed payments is \$16,106,691 and is included in copper derivatives settlement payable on the consolidated balance sheet.

Royalties Payable

In March 2009, our Company sold to Royal Gold, formerly International Royalty Corporation, acting through its subsidiary IRC Nevada Inc., a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp. The net proceeds from the sale were \$4,950,000. The royalty is payable in cash on a quarterly basis. During 2012 and 2011, the Company accrued royalty expense of \$203,427 and \$361,069 and made payments of \$15,000 and \$195,000, respectively. Accordingly, the total amount accrued under this obligation as of December 31, 2012 and 2011 is \$1,350,182 and \$1,161,755, respectively, and is included within accounts payable on the consolidated balance sheets.

Under the terms of the related agreement, amounts that are not paid to Royal Gold in accordance therewith, accrue interest at an annual rate of 12%. Accordingly, as of December 31, 2012 and 2011, included in accrued interest on the consolidated balance sheets is \$247,042 and \$110,269, respectively, related thereto.

Fisher Industries Note

In July 2010, we reached an agreement with Fisher Industries to convert approximately \$8.2 million of payables to a two-year unsecured note bearing interest on the outstanding principal at the rate of 6% per annum. Under our agreement with Fisher Industries, Fisher Industries is entitled to receive weekly payments on our unsecured note with the amounts based on a formula related to the weekly level of copper sales made by our Company. The outstanding principal under our promissory note to Fisher was due and payable on July 31, 2012. The Company was unable to make the required principal and accrued interest payment to Fisher upon the maturity of the note on July 31, 2012.

In order to perfect its default status, Fisher Industries must first provide the Company a written notice of default. If the Company fails to make the required payment to remedy the default within three business days, the whole sum shall become immediately due and payable at the option of Fisher without further notice. As of the date of this report, the Company has not received notification of default from Fisher. As of December 31, 2012, current maturities of long-term debt in the amount of \$6,183,499 are reflected in the consolidated balance sheet.

Capital Costs

The initial capital costs to complete the reactivation of the Johnson Camp Mine were approximately \$36 million. Such costs relate primarily to: (a) the rehabilitation of solution ponds; (b) refurbishment and a modest expansion of the SX-EW copper production facility; (c) the installation of our primary stage crusher, and the purchase and installation of two secondary stage crushers, an agglomerator and conveying equipment; and (d) other project-related items. Additional capital costs of approximately \$8 million have been incurred to modify certain existing equipment and to enhance the material handling portion of the operation.

We estimate we will need to incur an additional \$18 million in capital costs before we can resume mining operations at the Johnson Camp Mine, primarily for the development and construction of a new leach pad as described above. We will also need to increase our reclamation bond by \$575,000 before we place the new leach pad into operation. In addition, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million, preferably under lease to purchase options.

These cost figures do not include inflation, interest and other financing costs.

The Company must raise this capital from external sources and we cannot be assured that we will be successful in our endeavors.

Liquidity and Financial Resources

As noted above, our Company's continuation as a going concern is dependent upon our ability to: (a) refinance the obligations under the Credit Agreement with Nedbank, the Copper Hedge Agreement with Nedbank Capital and our unsecured note payable to Fisher Industries; (b) our ability to raise approximately \$20 million dollars in additional capital (including the estimated \$18 million that we would require to cover the capital costs of developing and constructing the planned new leach pad, and the \$575,000 needed to increase our reclamation bond); (c) secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of \$17 million (included in the approximately \$20 million dollars in additional capital); and (d) on our ability to produce copper to sell at a level where the Company becomes profitable and generates cash flows from operations. All of this remains uncertain.

If management cannot refinance our Company's obligations or achieve its operating plan because of sales shortfalls, a reduction in copper prices, or other unfavorable events, the Company may find it necessary to dispose of assets, or undertake other actions as may be appropriate. Our consolidated financial statements contain additional note disclosures to this effect, and the consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Cash and Working Capital

The following table sets forth our cash and working capital as of December 31, 2012 and 2011:

	As of December 31, 2012	As of December 31, 2011
Cash reserves	\$ 11,863 ⁽¹⁾	\$ 118,058 ⁽¹⁾
Working capital surplus (deficiency)	\$ (57,999,677) ⁽²⁾	\$ (51,783,180) ⁽³⁾

Notes:

- (1) Excludes \$686,476 being held in conjunction with two letters of credit.
- (2) Includes \$23,257,826 in current portion of senior long-term debt, \$16,106,691 in copper derivatives settlement payable, \$8,478,396 in accrued interest and \$6,183,499 of current maturity of long-term debt.
- (3) Includes \$21,481,183 in current portion of senior long-term debt, \$16,106,691 in copper derivatives settlement payable, \$6,190,999 of current maturity of long-term debt and \$1,776,643 in senior long-term debt accelerated due to default.

Results of Operations Years Ended December 31, 2012 and 2011

The following table sets forth our consolidated loss from operations during the fiscal years ended December 31, 2012 and 2011.

Consolidated Income (Loss) From Operations

	Year Ended December 31	
	2012	2011
Net sales	\$ 8,141,816	\$ 14,488,727
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)	11,373,568	16,899,398
General and administrative expenses	1,472,942	2,096,697
Depreciation, depletion and amortization	765,363	1,111,844
Loss from operations	\$ (5,470,057)	\$ (5,619,212)

Net Sales

We commenced commercial production from residual leaching on February 2008, and commenced production of nominal amounts of copper from newly-mined ore during the testing and development phase of the mine in February and March 2009. We entered the production stage as we achieved commercial copper cathode production from newly-mined ore in April 2009. Due to continued copper recovery issues with the existing leach pads combined with a reduction in the amount of mining activity stemming from inadequate capital, we were unable to become cash flow positive in the second quarter of 2010 as anticipated. As a result, on July 2, 2010, we temporarily suspended the mining and crushing of new ore operations to increase cash flow with the goal of building a new leach pad. All other operations, including leaching, SX-EW and copper production, are continuing.

One hundred percent of the copper cathode production from the Johnson Camp Mine has been sold to Red Kite Master Fund Limited under the previously described off-take agreements. Our existing agreement with Red Kite runs through June 30, 2013 with renewable extensions by mutual agreement of both parties.

We recorded revenues of \$8,141,816 (including \$29,750 in amortization of deferred revenue) from the sale of 2,257,040 pounds of copper cathode for the year ended December 31, 2012. The year-over-year decline in copper production is due to the steady decline in our inventory of ore on the existing leach pads. The average realized price of copper sold during the year ended December 31, 2012 was \$3.61 per pound, or \$3.59 per pound if the amortization of the royalty is excluded.

We recorded revenues of \$14,488,727 (including \$45,948 in amortization of deferred revenue) from the sale of 3,582,142 pounds of copper cathode for the year ended December 31, 2011. The average realized price of copper sold during the year ended December 31, 2011 was \$4.04 per pound, or \$4.03 per pound if the amortization of the royalty is excluded.

Costs Applicable to Sales

Costs applicable to sales represents the costs incurred in converting the ore present in existing leach pads into salable copper cathode. The conversion process includes leaching of stockpiles, solvent extraction and electrowinning. Costs include labor, supplies, energy, site overhead costs and other necessary costs associated with the extraction and processing of ore. The cost applicable to sales excludes depreciation, depletion and amortization, and the write-down of inventory to net realizable value.

During 2012, we incurred \$11,373,568 of costs applicable to sales from the sale of copper (including \$8,130,004 in abnormal production costs due to the under-utilization of plant capacity). The average cost per pound of copper sold during the year ended December 31, 2012 was \$5.04 per pound. The increase in abnormal production costs is primarily related to the decline in copper production resulting from the steady decline in our inventory of ore on the existing leach pads. The average cost per pound of copper sold excluding abnormal production costs was \$1.44 per pound.

During 2011, we incurred \$16,899,398 of costs applicable to sales from the sale of copper (including \$11,755,375 in abnormal production costs due to the under-utilization of plant capacity). The average cost per pound of copper sold during the year ended December 31, 2011 was \$4.72 per pound. The increase in abnormal production costs is primarily related to the temporary suspension of mining and crushing of new ore in July 2010, and the resulting decline in copper production from the existing leach pads. The average cost per pound of copper sold excluding abnormal production costs was \$1.44 per pound.

General and Administrative Expenses

Our general and administrative expenses decreased to \$1,472,942 during 2012 as compared to \$2,096,697 in 2011. The decrease of \$623,755 in general and administrative expenses is primarily due to a \$393,435 decrease in professional and consulting fees, a \$181,790 decrease in employee and director compensation and a \$37,718 decrease in employee travel expense.

Our general and administrative expenses decreased to \$2,096,697 during 2011 as compared to \$2,231,434 in 2010. The decrease of \$134,737 in general and administrative expenses is primarily due to a \$230,660 decrease in employee and director compensation and a \$120,186 decrease in professional fees offset by the \$292,351 reversal of the amounts formerly payable under the 2007 Performance Incentive Plan recorded in 2010.

Depreciation, Depletion and Amortization

Our depreciation, depletion and amortization expenses (DD&A) decreased by \$346,481 in 2012, as compared to 2011. The decrease was primarily due to a decrease in copper produced in the current period as compared to the same period in the prior year.

Our depreciation, depletion and amortization expenses (DD&A) decreased by \$597,629 in 2011, as compared to 2010. The decrease was primarily due to a decrease in tons mined and copper produced in the current period as compared to the same period in the prior year. As previously disclosed, the Company suspended the mining and crushing of new ore in July 2010 and have yet to resume full mining operations.

Other Income (Expense)

The following table sets forth our other income (expense) during the fiscal years ended December 31, 2012 and 2011:

	Year Ended December 31	
	2012	2011
Other income (expense)		
Interest expense	\$ (4,125,119)	\$ (3,743,336)
Gain (Loss) on derivatives classified as trading securities	54,896	(1,038,103)
Loss on impairment of property and equipment	(851,526)	-
Miscellaneous income (expense)	137,462	84,357
Total other income (expense)	\$ (4,784,287)	\$ (4,697,082)

The increase in other expense of \$87,205 for the year ended December 31, 2012 in comparison to the same period in the prior year was primarily a result of an increase in loss on impaired assets held for sale of (\$851,526) and a \$381,783 increase in interest expense which was offset by an reduction in net loss incurred in derivatives classified as trading securities of \$1,092,999.

Upon completion of the refinancing, the Company plans to construct and place into service a new leach pad. Consequently, the Company does not plan to place additional crushed ore on the existing pads. Therefore, the overland conveyor which previously transported ore from the agglomerator to a transition conveyor just east of the existing pads is no longer needed and has been put up for sale. A replacement conveyor belt which can only be used on this conveyor is also considered redundant and has also been put up for sale. The book value of this equipment as of December 31, 2012 is \$1,319,526. The Company believes the fair market value of this equipment is approximately \$468,000. Consequently, the Company has recorded a charge of \$851,526 in Other Income (Expense) on the Consolidated Statements of Operations.

Net Loss

The following table reflects our net loss for the years ended December 31, 2012 and 2011, after taking into account the amounts recognized as other income or expenses.

	Year Ended December 31	
	2012	2011
Loss from operations	\$ (5,470,057)	\$ (5,619,212)
Other expense	(4,784,287)	(4,697,082)
Provision for income taxes		
Net loss	\$ (10,254,344)	\$ (10,316,294)

We recorded a net loss of \$10,254,344 for the year ended December 31, 2012 as compared to a net loss of \$10,316,294 for the year ended December 31, 2011. The decrease in net loss of \$61,950 between these periods is primarily due to a reduction in loss from operations of \$149,155, offset by an increase in other expenses of \$87,205.

We recorded a net loss of \$10,316,294 for the year ended December 31, 2011 as compared to a net loss of \$21,205,410 for the year ended December 31, 2010. The decrease in net loss of \$10,889,116 between these periods is primarily due to the unrealized loss on de-designation of copper hedges and interest rate swaps as trading securities of (\$13,712,395) recognized in 2010 offset by an increase in loss from operations of \$3,796,803.

Cash Flows from Operating Activities

Our cash flows from operating activities during 2012 were \$(141,728). Our cash flows from operating activities for 2012 include a net loss of \$(10,254,344) offset by: \$765,363 in non-cash depreciation, depletion and amortization, \$402,471 of non-cash accretion expense, \$105,000 of non-cash stock based compensation expense and operating cash flows generated by a decrease in copper inventories of \$2,886,577, an increase in accounts payable and accrued expenses of \$769,206, and an increase in accrued interest of \$3,545,059.

Our cash flows from operating activities during 2011 were \$72,964. Our cash flows from operating activities for 2011 include a net loss of \$(10,316,294) offset by: \$1,111,844 in non-cash depreciation, depletion and amortization, \$375,202 of non-cash accretion expense, \$345,969 of non-cash interest expense, \$290,202 of non-cash stock based compensation expense and operating cash flows generated by a decrease in copper inventories of \$4,365,857, an increase in accounts payable and accrued expenses of \$880,688, an increase in accrued interest of \$2,340,860, and an increase in copper derivatives settlement payable of \$9,275,951. These inflows were offset by an unrealized gain on derivatives classified as trading securities of \$(8,623,030).

Cash Flows from Investing Activities

Our cash flows from investing activities during 2012 were (\$43,697) due mainly to capital expenditures for engineering of Leach Pad 5.

Our cash flows from investing activities during 2011 were (\$753,910) due mainly to capital expenditures incurred on the engineering of Leach Pad 5.

We estimate that we will incur an additional \$18 million in capital costs during the next year, primarily for the development and construction of a new leach pad. The new pad, which will be about double the size of our existing three pads, should be operational within approximately 150 days after we have obtained the financing needed to build it (which cannot be assured at this time). The estimated start-up date for the new pad is subject to the Company's ability to raise the requisite capital thus completing our current effort to restructure our capital structure. As a part of the capital costs for the development and construction of the new leach pad, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million, preferably under lease to purchase options.

Cash Flows from Financing Activities

Our cash flows from financing activities during 2012 were \$79,230 compared to \$(321,019) for the same period in 2011. This change is principally related to additional convertible debt issued to related parties of \$87,500 and the reduction in principal payments being made on long term debt on the Fisher Note of (\$296,929).

Our cash flows from financing activities during 2011 were \$(321,019) compared to \$(1,772,098) for the same period in 2010. This amount is principally related to a reduction in principal payments on the Fisher Note of \$(1,400,143).

As noted above, we estimate we will need to incur an additional \$18 million in capital costs before we can resume mining operations at the Johnson Camp Mine, primarily for the development and construction of a new leach pad. We will also need to increase our reclamation bond by \$575,000 before we place the new leach pad into operation. In addition, we will need to secure access to a mining fleet of approximately 14 trucks with an estimated capital cost of approximately \$17 million, preferably under lease to purchase options. However, our ability to address these items is contingent upon our ability to raise the requisite external capital. We are currently exploring various opportunities for external financing; however, there is no assurance that we will be successful in our endeavors.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our audited consolidated financial statements as of December 31, 2012 and 2011 and for the each of the two years in the period ended December 31, 2012, and the related notes to the consolidated financial statements, are filed as part of this annual report beginning on page F-1 below, and are incorporated by reference in this Item 8.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure 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, and Chief Financial Officer, Wayne Morrison, is responsible for establishing and maintaining disclosure controls and procedures for our Company.

Our management has evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2012 (under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer), pursuant to Rule 13a-15(b) promulgated under the Securities Exchange Act of 1934, as amended. As part of such evaluation, management considered the matters discussed below relating to internal control over financial reporting. Based on this evaluation, our Company's Chief Executive Officer and Chief Financial Officer has concluded that our Company's disclosure controls and procedures were effective as of December 31, 2012.

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.

Management Report on Assessment of Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) Securities Exchange Act of 1934, as amended. Management (under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer), assessed the effectiveness of our internal control over financial reporting as of December 31, 2012. In making this assessment, management used the framework set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, our management concluded that our internal control was effective as of December 31, 2012.

This annual report does not include an attestation report of our Company's registered public accounting firm regarding internal control over financial reporting. Our management's report was not subject to attestation by our Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only the management's report in this annual report.

Inherent Limitation of the Effectiveness of Internal Control

Our internal control system is designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Directors and Executive Officers**

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

Name and Municipality of Residence	Age	Current Office with Nord Resources Corporation	Director Since
Ronald A. Hirsch ⁽¹⁾ Laguna Beach, CA	69	Director and Chairman	September 7, 2000
Stephen D. Seymour Baltimore, MD	71	Director	October 15, 2003
Douglas P. Hamilton North Chatham, MA	71	Director	February 15, 2006
John F. Cook Roslin, ON, Canada	73	Director	February 15, 2006
Wayne M. Morrison Tucson, AZ	55	Chief Executive Officer, Chief Financial Officer and Secretary	N/A

Notes

(1) Mr. Hirsch also held the position of Chief Executive Officer of our Company until February 15, 2006.

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

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

We believe that the following experience, qualifications, attributes and skills possessed by Mr. Hirsch lend themselves to service as a director of our Company:

CEO/Executive Management Skills

Experience as Chairman, CEO and Director of our Company since September 2000.

Financial Experience

Experience as President of Hirsch Enterprises from January 2000 to October 2003, a private investment firm based in Laguna Beach, California. Senior Vice President Investments with Lehman Brothers in New York for 20 years until 1997. Experience as Senior Vice-President Dean Witter & Company and Option Specialist and Financial Advisor with Thomson McKinnon Auchincloss over five years.

Board Experience

Prior service on our Company's Board of Directors as Chairman since October 20, 2003 and as a member of the Board since September 7, 2000.

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

We believe that the following experience, qualifications, attributes and skills possessed by Mr. Seymour lend themselves to service as a director of our Company:

CEO/Executive Management Skills

15 years of experience with Westinghouse Broadcasting where he was head of all television sales and marketing.

Financial Experience

Owned and employed by Rockland Investments since 1986. Specialized experience in leveraged buy-outs, turnaround situations and under managed and undercapitalized ventures.

Board Experience

Prior service on our Company's Board of Directors since October 15, 2003. Currently serving as Chairman of the Corporate Governance and Nominating Committee. Experience as a Director with Westinghouse's Broadcasting Division.

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

We believe that the following experience, qualifications, attributes and skills possessed by Mr. Hamilton lend themselves to service as a director of our Company:

CEO/Executive Management Skills

Experience as Senior Vice President Finance and Chief Financial Officer of Barnes Group Inc. (1996-1997) and Vice President Finance and Control of U.S. Power Generation Businesses for Asea Brown Boveri, Inc. (1993-1996). Prior to that, he held various executive and management positions at United Technologies Corporation and Ingersoll Rand Company.

Board Experience

Prior service on our Company's Board of Directors since February 15, 2006. Currently serving as Chairman of the Audit and member of the Corporate Governance and Nominating and Compensation Committees.

John F. Cook Mr. Cook has been a director of our Company since February 15, 2006. Mr. Cook is the President of Tormin Resources Limited, a private company providing consulting services to the mining industry. He holds a Bachelor of Engineering (Mining), C. Eng UK, and P. Eng Ontario, and brings to Nord more than 40 years of experience in the operations and management of mining companies. Mr. Cook's positions included Senior Mining and Managing Consultant, RTZ Consultants Ltd. (1974-78), Associate and Principal, Golder Associates Ltd. (1978-83), Senior Project Manager, General Manager, and Vice President Engineering, Lac Minerals Ltd. (1983-90), Vice President Operations, Goldcorp Inc. (1990-94), and Navan Resources Plc, Operations Director (1994-96). Currently, Mr. Cook serves as the President of Firebird Resources. He is also a director of Aldridge Minerals Inc., Strategic Resources, Caracara Silver Inc., and Cerro Resources NL.

We believe that the following experience, qualifications, attributes and skills possessed by Mr. Cook lend themselves to service as a director of our Company:

CEO/Executive Management Skills

Experience as President of Tormin Resources Limited, a private company providing consulting services to the mining industry, past Chairman of Wolfden Resources and Premier Gold Mines Limited, past President of San Anton Resources Corporation and current President of Firebird Resources Inc. Past and present directorships of several companies.

Board Experience

Prior service on our Company's Board of Directors since February 15, 2006. Currently serving as Chairman of the Compensation Committee and as a member of the Audit and Corporate Governance and Nominating Committees.

Operational and Industry Expertise

Experience as a Senior Mining and Managing Consultant, RTZ Consultants Ltd. (1974-78), Associate and Principal, Golder Associates Ltd. (1978-83), Senior Project Manager, General Manager, and Vice President Engineering, Lac Minerals Ltd. (1983-90), Vice President Operations, Goldcorp Inc. (1990-94), and Operations Director, Navan Resources Plc (1994-96).

Wayne M. Morrison Mr. Morrison was appointed Chief Executive Officer on November 30, 2010 replacing Randy Davenport who resigned from the Company to accept a position with another mining company. Mr. Morrison continues to act as Chief Financial Officer which he was appointed on January 8, 2008. Prior to that, he served as our Controller from December 3, 2007 to January 8, 2008. Prior to joining our Company, Mr. Morrison was Vice President, Finance and Administration of AmpliMed Corp., a privately held biotech company, from March 2005 until December 2007. From February 2002 to October 2004, Mr. Morrison held the position of Vice President and Chief Financial Officer of Fastrac 24/7, a privately held information processing company, and from October 1997 to January

2002, he was President of Par One Golf Ventures, a privately held golf promotion company. Mr. Morrison's experience also includes past employment as a Certified Public Accountant with PricewaterhouseCoopers for four years. He earned a Bachelor of Science Degree in Accounting from the University of Delaware and an MBA from the Kenan Flagler Business School of the University of North Carolina.

Term of Office

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

Significant Employees

There are no significant employees other than our executive officers.

Family Relationships

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

Board Independence

The board of directors determined that Douglas P. Hamilton, John F. Cook, and Stephen Seymour each qualify as independent directors under the listing standards of the NYSE Amex Equities Exchange.

Committees of the Board of Directors

Our board of directors currently has four committees: an Audit Committee, a Compensation Committee, a Corporate Governance and Nominating Committee, and an Environmental, Health, and Safety Committee. These Committees were established in February 2006, except the Environmental, Health, and Safety Committee, which was established in March 2011.

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

Audit Committee

Our Audit Committee has been structured to comply with Rule 10A-3 under the Securities Exchange Act of 1934, as amended. Our Audit Committee is comprised of Douglas P. Hamilton and John F. Cook. Douglas P. Hamilton is the Chairman of the Audit Committee and our board of directors has determined that he satisfies the criteria for an audit committee financial expert under Item 407(d)(5) of Regulation S-K of the rules of the Securities and Exchange Commission. Each Audit Committee member is able to read and understand fundamental financial statements, including our consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows.

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

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

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

The Audit Committee operates pursuant to a written charter, which complies with the applicable provisions of the Sarbanes Oxley Act of 2002 and related rules of the SEC and the NYSE Amex Equities Exchange.

Compensation Committee

The Compensation Committee of our board of directors is comprised of Douglas P. Hamilton and John F. Cook. John F. Cook is the Chairman of the Compensation Committee. The Compensation Committee is responsible for considering and authorizing terms of employment and compensation of directors, executive officers and providing advice on compensation structures in the various jurisdictions in which our Company operates. In addition, the Compensation Committee reviews our overall salary objectives and any significant modifications made to employee benefit plans, including those applicable to directors and executive officers, and proposes any awards of stock options and incentive and deferred compensation benefits.

The Compensation Committee operates pursuant to a written charter, adopted by the Board of Directors in March 2008.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is comprised of Stephen Seymour, Douglas P. Hamilton and John F. Cook. Mr. Seymour is the Chairman of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee is responsible for developing our approach to corporate governance issues and compliance with governance rules. The Corporate Governance and Nominating Committee is also mandated to plan for the succession of our Company, including recommending director candidates, review of board procedures, size and organization, and monitoring of senior management with respect to governance issues. The Committee is responsible for the development and implementation of corporate communications to ensure the integrity of our disclosure controls and procedures, internal control over financial reporting and management information systems. The purview of the Corporate Governance and Nominating Committee also includes the administration of our board of directors' relationship with our management.

The Corporate Governance and Nominating Committee identifies individuals believed to be qualified to become board members and recommends individuals to fill vacancies. There are no minimum qualifications for consideration for nomination to be a director of our Company. The Committee will assess all nominees using the same criteria. In nominating candidates, the Committee takes into consideration such factors as it deems appropriate, including judgment, experience, skills and personal character, as well as the needs of our Company. The Corporate Governance and Nominating Committee will consider nominees recommended by stockholders if such recommendations are made in writing to the Committee and will evaluate nominees for election in the same manner whether the nominee has been recommended by a stockholder or otherwise.

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

Environmental, Safety and Health Committee

The Environmental, Safety and Health Committee of our board of directors is comprised of John F. Cook and Stephen D. Seymour. The Environmental, Safety and Health Committee is responsible for reviewing and making recommendations on policies and procedures related to environmental, safety and health issues in its mining operations.

The Environmental, Safety and Health Committee operates pursuant to a written charter, adopted by the Board of Directors in March 2011.

Involvement in Certain Legal Proceedings

Except as disclosed in this annual report, during the past ten years none of the following events have occurred with respect to any of our directors or executive officers:

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
 - i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity;
 - ii. Engaging in any type of business practice; or
 - iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;

4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (3)(i) above, or to be associated with persons engaged in any such activity;
5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
 - i. Any Federal or State securities or commodities law or regulation; or
 - ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
 - iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

On September 23, 2009 Sandab Communications LP II filed for Chapter 11 protection in the New England District Court. Sandab owns and operates 4 Radio station. During 2010, Sandab Communications LP II emerged from bankruptcy with all liabilities due to any government agency paid in full. The president of the General Partnership is Stephen D. Seymour who is also a director of Nord Resources.

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

Compliance with Section 16 of the Securities Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. During the fiscal years ended December 31, 2012 and 2011, except as disclosed below, these filings were made on a timely basis:

	No. of Late Reports During the	No. of Late Reports During the
--	--------------------------------	--------------------------------

Reporting Person	Fiscal Year Ended December 31, 2012	Fiscal Year Ended December 31, 2011
Ronald Hirsch	3	1
Wayne Morrison	Nil	Nil
Douglas Hamilton	Nil	1
Stephen Seymour	Nil	1
John Cook	Nil	1
Geologic Resource Partners, LLC	Nil	Nil
Ross Beaty	1	Nil

Code of Ethics

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

- 1) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- 2) compliance with applicable governmental laws, rules and regulations;
- 3) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or persons identified in the Code of Ethics; and
- 4) accountability for adherence to the Code of Ethics.

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

No substantive amendments were made to our Company's Code of Ethics during the fiscal year ended December 31, 2012, and no waivers of our Company's Code of Ethics were granted to any principal officer of the Company or any person performing similar functions during the fiscal year ended December 31, 2012.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

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

- (a) the person(s) serving as our Company's principal executive officer during the year ended December 31, 2012;
- (b) each of our Company's two most highly compensated executive officers, other than the principal executive officer, who were serving as executive officers at the end of the year ended December 31, 2012, and whose total compensation exceeds \$100,000 per; and

(c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an executive officer of our Company at the end of the year ended December 31, 2012;

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

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$) ⁽¹⁾	Non Equity Incentive Plan Compensation (\$)	Non qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Ronald A. Hirsch	2012	23,077 ⁽²⁾							23,077
Chairman	2011	147,596 ⁽³⁾							147,596
Wayne M. Morrison	2012	182,692 ⁽⁴⁾						15,529 ⁽⁵⁾	198,221
Chief Executive and Chief Financial Officer, Secretary and Treasurer	2011	250,000			156,870			7,892 ⁽⁶⁾	414,762

Notes:

- (1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2012 and 2011 financial years for the fair value of stock options granted to each Named Executive Officer. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service based vesting conditions. For additional information on the valuation assumptions with respect to the options, refer to Note 20 under the heading Stock Based Compensation in our consolidated financial statements.
- (2) Amount excludes \$76,923 of deferred pay which is payable to the Named Executive Offer when the Company is in the financial position to do so.
- (3) Amount includes the receipt of 82,418 shares of Nord common stock valued at \$11,538 in lieu of cash compensation and \$26,442 in cash compensation earned in 2010.
- (4) Amount excludes \$67,308 of deferred pay which is payable to the Named Executive Offer when the Company is in the financial position to do so.
- (5) Amount includes \$4,605 in Company contribution to the Named Executive Officer s 401(K) Retirement Plan and \$10,928 in medical insurance reimbursement.
- (6)

Amount includes \$4,395 in Company contribution to the Named Executive Officers 401(K) Retirement Plan and \$3,497 in medical insurance reimbursement.

Outstanding Equity Awards as of December 31, 2012

The following table summarizes the outstanding equity awards as of December 31, 2012 for each of our named executive officers:

Name	Option Awards				Stock Awards				
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Shares, Units or Rights That Have Not Vested (\$)
Ronald A. Hirsch	100,000	N/A	N/A	\$0.68	6/11/2017	N/A	N/A	N/A	N/A
Wayne M. Morrison	66,667	N/A	N/A	\$0.09	11/26/2013	N/A	N/A	N/A	N/A
	166,667	N/A	N/A	\$0.09	11/26/2013	N/A	N/A	N/A	N/A
	500,000	N/A	N/A	\$0.14	10/25/2015	N/A	N/A	N/A	N/A
	500,000	N/A	N/A	\$0.16	3/14/2016	N/A	N/A	N/A	N/A
	796,496	398,247	N/A	\$0.12	8/29/2016	N/A	N/A	N/A	N/A

Equity Compensation Plans

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

There are 4,438,494 stock options outstanding at December 31, 2012, all of which have been issued pursuant to the Company's 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2013 to 2017.

To date, certain equity based fees have been paid to our non executive directors in the form of awards issued pursuant to our Company's Amended and Restated 2006 Stock Incentive Plan. The non executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of our non executive directors exercised such rights in respect of the equity based fees payable to him for services rendered during the year ended December 31, 2012.

Compensation of Directors

The following table summarizes the compensation of our Company's directors for the year ended December 31, 2012:

	Fees Earned or Paid in Cash	Stock Awards ⁽²⁾	Option Awards	Non Equity Incentive Plan Compensation	Non qualified Deferred Compensation Earnings	All Other Compensation	Total

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Name⁽¹⁾	(\$)	(\$)	(\$)⁽³⁾	(\$)	(\$)	(\$)	(\$)
Doug Hamilton		40,000 ⁽⁴⁾					40,000
Stephen Seymour		32,500 ⁽⁴⁾					32,500
John Cook		32,500 ⁽⁴⁾					32,500

Notes:

- (1) Ronald Hirsch a member of our board of directors is a Named Executive Officer and did not receive any compensation as a director that has not been disclosed in the summary compensation table above.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2012 fiscal year for the fair value of deferred stock units, or DSUs, granted in 2012. Fair value is calculated using the average of the high and low price of our stock on the trading day prior to the date of grant. The outstanding DSUs for the directors at December 31, 2012 are as follows: Douglas Hamilton (1,989,416 DSUs), Stephen Seymour (1,602,763 DSUs), and John Cook (790,721 DSUs).
- (3) This column represents the fair value of the options awarded in 2012. Pursuant to SEC rules, the amount shown excludes the impact of estimated forfeitures related to service based vesting conditions.
- (4) Fair value of deferred stock units issued pursuant to our Company's Amended and Restated 2006 Stock Incentive Plan.

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

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

To date, the equity-based fees have been payable in shares of our common stock pursuant to our 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in DSUs. Each of our non-executive directors exercised such rights in respect of the equity-based fees payable to him for 2012 and 2011. Accordingly, all retainer fees paid during 2012 and 2011 were paid in DSUs. The DSUs are subject to the Amended and Restated 2006 Stock Incentive Plan. DSUs are awarded on a quarterly basis at the end of March, June, September and December, or as otherwise determined by the administrator of the Amended and Restated 2006 Stock Incentive Plan. The number of DSUs awarded each quarter is calculated by dividing the total fees payable to each director for that quarter by the fair market value of our common stock, determined in accordance with the Amended and Restated 2006 Stock Incentive Plan. Each DSU is the economic equivalent of one share of our common stock. The DSUs will be converted into shares of common stock upon the director's termination of service, or as otherwise provided in their individual deferral election.

During 2012, Douglas Hamilton, the Chairman of our Audit Committee, received 973,195 deferred stock units; John Cook, the Chairman of our Compensation Committee, received 790,721 deferred stock units; and Stephen Seymour, the Chairman of our Corporate Governance and Nominating Committee received 790,721 deferred stock units. During 2012, 310,977 DSUs issued to John Cook were converted into common shares. The deferred stock units are subject to the Amended and Restated 2006 Deferred Stock Unit Plan.

We did not pay cash fees to our non-executive directors during the year ended December 31, 2012. As of December 31, 2012, the Company owed John Cook \$1,500 in fees.

Employment Contracts and Termination of Employment and Change In Control Arrangements

Ronald Hirsch

Ronald Hirsch serves as Chairman of our Company's board of directors pursuant to an executive employment agreement dated January 2, 2004. The executive employment agreement originally governed the terms of Mr. Hirsch's employment as our Chief Executive Officer, until his resignation from that position effective February 15, 2006. The original term of this executive employment agreement was for three years, expiring on January 2, 2007. The executive employment agreement has been renewed until January 2, 2012, and is subject to automatic renewals for successive one year periods unless cancelled by either of the parties.

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

Effective October 18, 2006, we entered into an agreement amending our executive employment agreement with Mr. Hirsch, pursuant to which we have paid Mr. Hirsch all of his accrued consulting fees for services provided by him to our Company between May 1, 2001 and October 19, 2003, and all of his accrued and unpaid salary (See Certain Relationships and Related Transactions - Compensatory Arrangements). As described in more detail below, the amended executive employment agreement contains certain provisions that will apply if our Company becomes a party to a Significant Transaction, which is defined to mean a significant transaction in which: (i) any person, together with all affiliates and associates of such person, becomes the beneficial owner, directly or indirectly, of securities of our Company representing or convertible into 51% or more of the common stock of our Company; or (ii) there is a sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of our Company or of assets of our Company valued at \$12,000,000 or greater.

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

- Mr. Hirsch's base salary in his capacity as Chairman from February 15, 2006, to February 15, 2007 continued at the original level provided for in his executive employment agreement of \$200,000 per annum, and was reduced to \$100,000 per annum thereafter.
- If our Company enters into an agreement with respect to a Significant Transaction which is accompanied by a change of majority ownership of our Company, Mr. Hirsch will voluntarily resign as Chairman effective immediately prior to the completion of the Significant Transaction.
- In the event that Mr. Hirsch ceases to be employed by our Company (other than by way of termination for cause) in connection with the completion of a Significant Transaction, other than one which is accompanied by a change of majority ownership of our Company, we must provide to Mr. Hirsch certain payments and benefits set forth in the executive employment agreement subject to execution and delivery by Mr. Hirsch to our Company of a mutual and general release

of claims including the payment to Mr. Hirsch of an amount equal to three times his annual base salary in a lump sum within 60 days following termination of employment.

- In the event of the completion of a Significant Transaction which is accompanied by a change of majority ownership of our Company, Mr. Hirsch will not be entitled to receive the lump sum payment equal to three times his annual base salary.

Wayne Morrison

Wayne Morrison was appointed as our Company's Chief Executive Officer effective November 30, 2010 upon the resignation of Randy Davenport who resigned to take a position with another firm. Mr. Morrison continues to serve as our Company's Chief Financial Officer, a position he has held since January 8, 2008. Our Company and Mr. Morrison are parties to a letter agreement dated December 3, 2007, whereby Mr. Morrison was offered the position of Controller of our Company, effective December 1, 2007, with a view toward Mr. Morrison's appointment as Vice President and Chief Financial Officer upon confirmation of acceptability of Mr. Morrison as an executive officer from the Toronto Stock Exchange.

Effective January 19, 2011, we entered into an amended and restated executive employment agreement with Mr. Morrison to cover his duties and responsibilities as our Chief Executive and Chief Financial Officer. Mr. Morrison has agreed to perform the duties and responsibilities set out in the agreement, as well as those duties that our board of directors may from time to time reasonably determine and assign.

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

- to pay Mr. Morrison an annual salary in the amount of \$250,000;
- continue to provide Mr. Morrison with bonuses from time to time as determined by our compensation committee; and
- continue to allow Mr. Morrison to participate in our 2006 Stock Incentive Plan, our Performance Incentive Plan, and such other plans that may from time to time be adopted by our Company during the term of employment to compensate or provide incentives to qualifying senior executives of our Company.

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

- we will pay Mr. Morrison an amount equal to \$600,000 in a lump sum within 60 days;
- if Mr. Morrison elects continuation of coverage of medical and dental benefits under the United States Consolidated Omnibus Budget Reconciliation Act of 1985, we will pay 100% of the premiums for the first 18 months of coverage; and
- we will pay the premiums necessary for continuation of any supplemental disability policy or, at the election of our Company, a lump sum amount equal to the aggregate premiums to be paid on such a policy, in either case for a period of 12 months.

Mr. Morrison's term of employment under the executive employment agreement will end on January 18, 2014. The executive employment agreement is subject to automatic extension for successive periods of one additional year unless either our Company or Mr. Morrison provides written notice of an intention not to renew the agreement no later than 90 days prior to the end of the then current term of the agreement.

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

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

Effective August 30, 2011 (the Addendum Effective Date), the Company and Mr. Morrison have entered into an Addendum (the "Addendum") to Mr. Morrison's Amended and Restated Executive Employment Agreement, pursuant to which the following changes have been made to Mr. Morrison's Executive Employment Agreement:

- **Additional Bonus.** The Company shall pay Mr. Morrison an additional bonus in the amount of \$300,000 at the same time and under the same terms and conditions as provided in that Section 4(e) of the Executive Employment Agreement. Section 4(e) of the Executive Employment Agreement provides that, among other things, Mr. Morrison is entitled to a bonus under the Company's 2010/2011 Bonus Program equal to 50% of his base salary upon the receipt by the Company of sufficient funds to (i) restructure the Company's existing debt under the secured term-loan credit facility provided by Nedbank, and under the Copper Hedge Agreement with Nedbank Capital, and (ii) construct Leach Pad 5.
- **Health Insurance and Benefits.** If Mr. Morrison elects not to participate in the Company's health insurance plan, the Company shall pay to Mr. Morrison, on a monthly basis, an amount equal to the monthly premium payment the Company would pay to provide health insurance for Mr. Morrison and his family under the Company's health insurance plan. Such amount shall be paid in accordance with the Company's usual payroll.
- **Life Insurance.** The Company shall pay for and provide to Mr. Morrison a ten-year term life insurance policy with a death benefit in the amount of \$3,000,000.00, insuring the life of Mr. Morrison as the insured thereunder.
- **Disability Insurance.** The Company shall pay for and provide to Mr. Morrison a disability insurance policy in the highest amount for which Mr. Morrison is able to qualify in accordance with the underwriting requirements of the insurer issuing the disability insurance policy.

In addition, the Addendum provides that the Company shall grant to Mr. Morrison that number of additional non-qualified common stock share purchase options (the "Additional Options"), having a value of \$100,000 as of the Addendum Effective Date, as determined in accordance with the Black-Scholes method of valuation, with a duration of five (5) years, pursuant to the Company's 2006 Stock Incentive Plan. The Company has issued a total of 1,194,743 Additional Options, each exercisable at an exercise price of \$0.12 per share. One-third of the Additional Options shall vest as of the Addendum Effective Date, one-third of the Additional Options shall vest on the first anniversary of the Addendum Effective Date, and the final one-third of the Additional Options shall vest on the second anniversary of the Addendum Effective Date.

2012 Bonus Plan

In June 2012, we replaced the 2010-2011 Bonus Plan with the 2012 Bonus Plan, for the purpose of retaining and providing an incentive to certain key employees other than Mr. Morrison involved in recapitalizing the Company, in the construction of the new pads, and the restart of mining operations at the Johnson Camp Mine. Should all of these milestones be achieved in accordance with the 2012 Bonus Plan, a total of \$461,000 would be paid out to the participants.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information as of March 15, 2013 regarding the beneficial ownership of our common stock by:

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

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 120,063,264 shares of common stock outstanding as of March 15, 2013.

For the purposes of the information provided below, shares that may be issued upon the exercise or conversion of options, warrants and other rights to acquire shares of our common stock that are exercisable or convertible within 60 days following March 15, 2013, are deemed to be outstanding and beneficially owned by the holder for the purpose of computing the number of shares and percentage ownership of that holder, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner⁽¹⁾	As of March 15, 2013	
	Shares	Percent
<i>Named Executive Officers and Directors⁽²⁾</i>		
Ronald A. Hirsch Chairman	10,235,324 ⁽³⁾	9.0%
Stephen D. Seymour Director	6,384,612 ⁽⁴⁾	5.6%
Douglas P. Hamilton Director	200,000 ⁽⁵⁾	0.2%
John F. Cook Director	1,887,827 ⁽⁶⁾	1.7%
Wayne M. Morrison Chief Executive, Chief Financial Officer, Secretary and Treasurer	2,338,992 ⁽⁷⁾	2.0%
<i>Directors and Executive Officer as a Group (Five Persons)</i>	21,046,757	18.4%

Notes

- (1) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which

includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of common shares actually outstanding on March 15, 2013.

- (2) The address of the executive officers and directors is c/o Nord Resources Corporation, 1 West Wetmore Road, Suite 203, Tucson, Arizona, 85705.
- (3) Includes 166,667 shares of common stock that may be acquired pursuant to options exercisable within 60 days and 723,372 shares which may be acquired pursuant to the conversion of a convertible notes and accrued interest totaling \$74,726.
- (4) Includes 166,667 shares of common stock that may be acquired pursuant to options exercisable within 60 days and 318,592 shares which may be acquired pursuant to the conversion of a convertible note and accrued interest totaling \$61,055. Also includes 1,575,000 shares of common stock held by Mr. Seymour as a co trustee of a trust, and 36,300 owned by his spouse. Mr. Seymour disclaims beneficial ownership of the 36,300 shares of common stock owned by his spouse.
- (5) Includes 200,000 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (6) Includes 1,687,827 outstanding shares of common stock, all of which are owned by Tormin Resources Limited, a company owned and controlled by Mr. Cook. Also includes 200,000 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (7) Includes 1,963,163 shares of common stock that may be acquired pursuant to options exercisable within 60 days.

The following table sets forth, as of March 15, 2013, certain information regarding beneficial ownership of our common stock by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock.

Name and Address Of Beneficial Owner	Common Stock Beneficially Owned		
	Title of Class	Number of Shares	Percent of Class ⁽¹⁾
Ross J. Beaty 864930 B. C. Ltd. 1550-625 Howe Street Vancouver, B.C. Canada V6C 2T6	Common Stock	34,916,096 ⁽²⁾	30.7%
Riaz Shariff 1704 Al Moosa Tower 1 Sheikh Zayed Road Dubai, U.A.E.	Common Stock	5,870,000 ⁽³⁾	5.2%

Notes

- (1) Applicable percentage of ownership is based on 120,063,264 shares of common stock outstanding as of March 15, 2013 together with securities exercisable or convertible into shares of common stock within 60 days of

March 15, 2013, for each stockholder. Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of March 15, 2013, are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

- (2) Includes 685,103 shares which may be acquired pursuant to the conversion of a convertible notes and accrued interest totaling \$27,404.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

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

Compensatory Arrangements

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

Where You Can Find More Information

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

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

Glossary of Technical Terms

SEC Industry Guide 7 Definitions

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

probable (indicated) reserve The term **probable reserve** refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.

mineralized material The term **mineralized material** refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.

exploration stage An **exploration stage** prospect is one which is not in either the development or production stage.

production stage A **production stage** project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

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

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

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

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

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

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

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

Chrysocolla. A monoclinic mineral, $(\text{Cu},\text{Al})_2\text{H}_2\text{Si}_2\text{O}_5(\text{OH})_4 \cdot n\text{H}_2\text{O}$. It can be cryptocrystalline or amorphous, and forms incrustations and thin seams in oxidized parts of copper mineral veins. Cryptocrystalline is descriptive of the texture of a rock consisting of crystals that are too small to be recognized and separately distinguished.

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

Cut off Grade. The cutoff grade is the deemed grade of mineralization, established by reference to economic factors, above which material is included in mineral resource or reserve calculations and below which the material is considered waste. The cutoff grade may be either: (a) an external cutoff grade, which refers to the grade of mineralization used to control the external or design limits of an open pit based upon the expected economic parameters of the operation; or (b) an internal cutoff grade, which refers to the minimum grade required for blocks of mineralization present within the confines of a deposit to be included in resource or reserve estimates. In order for rock to be above the internal cutoff grade, the net revenue from processing the rock must exceed the sum of all cash operating costs, excluding mining costs. One of the reasons that cutoff grade is important is that it determines how the mined ore will be processed.

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

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

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

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

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

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

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

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

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

Malachite. A monoclinic mineral, $\text{Cu}_2\text{CO}_3(\text{OH})_2$. It can be dimorphous with georgeite, and occurs with azurite (a monoclinic mineral, $\text{Cu}_3(\text{OH})_2(\text{CO}_3)_2$) in oxidized zones of copper deposits. Dimorphism describes the property of a chemical compound to crystallize in either of two different crystal structures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

We have appointed Mayer Hoffman McCann P.C. to serve as our independent auditors for the years ended December 31, 2012 and December 31, 2011. We have not retained the services of any other independent auditors. Mayer Hoffman McCann P.C. performed the services listed below and was paid the fees listed below for the fiscal years ended December 31, 2012 and December 31, 2011:

Audit Fees

2012	2011
\$195,380	\$280,830

Audit Related Fees

2012	2011
None	None

Audit Fees, of which 100% thereof were approved by the Company's audit committee, consist of fees billed for professional services rendered for the audits of our financial statements, reviews of interim financial statements included in quarterly reports, services performed in connection with filings with the Securities and Exchange Commission and related comfort letters and other services that are normally provided by Mayer Hoffman McCann P.C. in connection with statutory and regulatory filings or engagements.

Tax Fees

2012	2011
\$40,995	\$37,525

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

All Other Fees

2012	2011
None	None

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

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

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

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

PART IV

ITEM 15. EXHIBITS

Exhibit

Number Description

Articles of Incorporation and By laws

3.1 Certificate of Incorporation (as amended) of Nord Resources Corporation⁽¹⁾

3.2 Amended and Restated Bylaws of Nord Resources Corporation⁽²⁾

3.3 Amendment to Amended Certificate of Incorporation⁽⁵⁾

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 Deed of Trust and Security Agreement and Fixture Financing Statement with Adjustment of Leases and Rents Filing among Nord Resources Corporation , First American Title Insurance Company and Nedbank Limited dated July 31, 2007 ⁽¹³⁾

4.3 Hazardous Materials or Wastes Indemnity Agreement between Nord Resources Corporation and Nedbank Limited dated July 31, 2007⁽¹³⁾

Material Contracts

10.1 Executive Employment Agreement between Nord Resources Corporation and Ronald A. Hirsch dated January 2, 2004⁽¹⁾

10.2 Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated January 5, 2006⁽⁶⁾

10.3 Addendum to Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated June 1, 2011⁽¹³⁾

10.4 Amended and Restated Waiver Agreement And Amendment of Employment Agreement between Nord Resources Corporation and Ronald Hirsch dated October 18, 2006 ⁽⁴⁾

10.5 Long Term Cathode Sales Agreement effective February 1, 2008, with Red Kite Master Fund Limited (Portions of this document have been omitted and filed separately with the SEC pursuant to a Request for Confidential Treatment filed under 17 C.F.R. 200.80(b)(4) and 240.24b 2⁽⁷⁾)

10.6 Executive Employment Agreement between the Company and Wayne Morrison dated September 9, 2008. ⁽⁸⁾

10.7 Processing Agreement with Texas Canyon Rock & Sand, Inc., dated October 31, 2008⁽⁹⁾

10.8 Amended and Restated Credit Agreement dated as of March 31, 2009 among Nord Resources Corporation, Cochise Aggregates and Materials Inc., Nedbank Limited and the Lenders from time to time party thereto⁽¹⁰⁾

10.9 Royalty Deed and Assignment of Royalty dated as of March 31, 2009, from Nord Resources Corporation to IRC Nevada Inc.⁽¹⁰⁾

10.10 Forbearance Agreement between Nord Resources Corporation and Nedbank Limited dated March 30, 2010⁽¹⁰⁾

10.11 Forbearance Agreement between Nord Resources Corporation and Nedbank Limited dated April 22, 2010⁽¹¹⁾

10.12 Forbearance Agreement between Nord Resources Corporation and Nedbank Capital Limited dated April 27, 2010⁽¹²⁾

10.13 Settlement Agreement among Nord Resources Corporation, Fisher Sand & Gravel Co. and F5 Equipment Inc. dated July 28, 2010⁽¹⁴⁾

10.14 Promissory Note of Nord Resources Corporation dated July 28, 2010 and payable to Fisher Sand & Gravel Co. in the principal sum of \$8,200,000⁽¹⁴⁾

10.15 Amended and Restated Executive Employment Agreement between the Company and Wayne Morrison dated January 19, 2011. ⁽¹⁵⁾

10.16 Addendum dated August 30, 2011 to Amended and Restated Executive Employment Agreement between the Company and Wayne Morrison dated January 19, 2011⁽¹⁶⁾

10.17 Cathode Sales Agreement effective January 1, 2013, with Red Kite Master Fund Limited⁽¹⁷⁾

10.18 Amendment dated March 20, 2013 to Cathode Sales Agreement effective January 1, 2013 with Red Kite Master Fund Limited⁽¹⁷⁾

Subsidiaries of the Small Business Issuer

21.1 Subsidiaries of Small Business Issuer:

Cochise Aggregates and Materials, Inc. (Incorporated in Nevada)

Consents of Experts and Counsel

23.1 Consent of Mayer Hoffman McCann P.C.⁽¹⁷⁾

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⁽¹⁷⁾

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⁽¹⁷⁾

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⁽⁷⁾

Mine Safety Disclosure Exhibit

95.1 Mine Safety Disclosure⁽¹⁷⁾

Additional Exhibits

99.1 Nord Resources Corporation Amended and Restated 2006 Stock Incentive Plan⁽⁸⁾

99.2 Nord Resources Corporation Performance Incentive Plan for the period from July 1, 2007 to December 31, 2008⁽⁶⁾

99.3 Nord Resources Corporation 2010-2011 Bonus Plan⁽¹³⁾

Data

Files

101.INS XBRL Instance File⁽¹⁷⁾

101.SCH XBRL Schema File⁽¹⁷⁾

101.CAL XBRL Calculation File⁽¹⁷⁾

101.DEF XBRL Definition File⁽¹⁷⁾

101.LAB XBRL Label File⁽¹⁷⁾

101.PRE XBRL Presentation File⁽¹⁷⁾

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 current report on Form 8 K, filed with the SEC on May 31, 2006.
- (4) Incorporated by reference from our current report on Form 8 K, filed with the SEC on October 23, 2006.
- (5) Incorporated by reference from our quarterly report on Form 10 QSB for the quarter ended March 31, 2007, filed with the SEC on May 9, 2007.
- (6) Incorporated by reference from our quarterly report on Form 10 QSB for the quarter ended September 30, 2007, filed with the SEC on August 14, 2007.
- (7) Incorporated by reference from our annual report on Form 10 KSB for the year ended December 31, 2007, filed with the SEC on March 26, 2008.
- (8) Incorporated by reference from our current report on Form 8 K dated September 9, 2008 and filed with the SEC on September 12, 2008.
- (9) Incorporated by reference from our current report on Form 8 K dated October 31, 2008 and filed with the SEC on November 5, 2008.
- (10) Incorporated by reference from our annual report on Form 10-K for the year ended December 31, 2008 and filed with the SEC on March 31, 2009.
- (11) Incorporated by reference from our current report on Form 8 K dated April 22, 2010 and filed with the SEC on April 23, 2010.
- (12) Incorporated by reference from our current report on Form 8 K dated April 27, 2010 and filed with the SEC on April 29, 2010.
- (13) Incorporated by reference from our quarterly report on Form 10 Q for the quarter ended March 31, 2011, filed with the SEC on May 13, 2011.
- (14) Incorporated by reference from our current report on Form 8-K dated July 29, 2010 and filed with the SEC on July 29, 2010.
- (15) Incorporated by reference from our amended current report on Form 8-K/A dated November 30, 2010 and filed with the SEC on January 25, 2010.
- (16) Incorporated by reference from our current report on Form 8-K dated September 1, 2011 and filed with the SEC on September 1, 2011.
- (17) Filed herewith.

**FINANCIAL STATEMENTS FILED AS PART OF
THIS ANNUAL REPORT ON FORM 10 K**

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Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Nord Resources Corporation and Subsidiary

We have audited the accompanying consolidated balance sheets of Nord Resources Corporation and Subsidiary (the Company) as of December 31, 2012 and 2011 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of Nord Resources Corporation and Subsidiary as of December 31, 2012 and 2011 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the consolidated financial statements, the Company reported net losses of (\$10,254,344) and (\$10,316,294) during the years ended December 31, 2012 and 2011, respectively. In addition, as of December 31, 2012 and 2011, the Company reported a deficit in net working capital of (\$57,999,677) and (\$51,783,180), respectively. As discussed in Note 2 to the consolidated financial statements, the Company's significant historical operating losses, lack of liquidity, and inability to make the requisite principal and interest payments due under the terms of the Amended and Restated Credit Agreement with its senior lender raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 2. The consolidated financial statements do not include any adjustments related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

/s/ Mayer Hoffman McCann P.C.
Mayer Hoffman McCann P.C.
Denver, Colorado
March 27, 2013

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

	At December 31,	
ASSETS	2012	2011
Current Assets:		
Cash and cash equivalents	\$ 11,863	\$ 118,058
Accounts receivable	24,795	345,382
Inventories	2,533,192	3,763,892
Prepaid expenses and other assets	172,300	159,986
Total Current Assets	2,742,150	4,387,318
Property and Equipment, at cost:		
Property and equipment	49,634,502	50,518,198
Less accumulated depreciation, depletion, and amortization	(6,648,074)	(6,313,728)
Property and Equipment, net	42,986,428	44,204,470
Other Assets:		
Deposits	123,579	146,079
Restricted cash and marketable securities	686,476	686,476
Debt issuance costs, net of accumulated amortization	54,604	368,684
Stockpiles and ore on leach pads	4,412,151	6,347,012
Total Other Assets	5,276,810	7,548,251
Total Assets	\$ 51,005,388	\$ 56,140,039

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(Continued)

	At December 31,	
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)	2012	2011
Current Liabilities:		
Accounts payable	\$ 4,490,509	\$ 4,163,041
Accrued expenses	1,845,712	1,316,074
Accrued interest	8,478,396	4,933,337
Copper derivatives settlement payable	16,106,691	16,106,691
Current maturity of long-term debt	6,183,499	6,190,999
Current maturities of senior long term debt	23,257,826	21,481,183
Current maturities of derivative contracts, at fair value	-	54,896
Senior long-term debt accelerated due to default	-	1,776,643
Other current liabilities	379,194	147,634
Total Current Liabilities	60,741,827	56,170,498
Long Term Liabilities:		
Deferred revenue, less current portion	4,623,366	4,646,868
Accrued reclamation costs	3,597,968	3,195,497
Other long-term liabilities	6,136	14,635
Total Long Term Liabilities	8,227,470	7,857,000
Total Liabilities	68,969,297	64,027,498
Commitments and contingencies		
Stockholders Equity (Deficit):		
Common stock: \$.01 par value, 400,000,000 shares authorized, 112,488,604 and 112,177,627 shares issued and outstanding as of	1,124,887	1,121,777
December 31, 2012 and December 31, 2011, respectively		
Additional paid in capital	122,308,030	122,133,246
Accumulated deficit	(141,396,826)	(131,142,482)
Total Stockholders Deficit	(17,963,909)	(7,887,459)
Total Liabilities and Stockholders Deficit	\$ 51,005,388	\$ 56,140,039

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

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

	Years Ended December 31,	
	2012	2011
Net sales	\$ 8,141,816	\$ 14,488,727
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)	11,373,568	16,899,398
Operating expenses (includes stock based compensation of \$177,894 and \$290,202, respectively)	1,472,942	2,096,697
Depreciation, depletion and amortization	765,363	1,111,844
Loss from operations	(5,470,057)	(5,619,212)
Other income (expense):		
Interest expense	(4,125,119)	(3,743,336)
Gain (Loss) on derivatives classified as trading securities	54,896	(1,038,103)
Loss on impairment of property and equipment	(851,526)	-
Miscellaneous income	137,462	84,357
Total other expense	(4,784,287)	(4,697,082)
Loss before income taxes	(10,254,344)	(10,316,294)
Provision for income taxes	-	-
Net loss	\$ (10,254,344)	\$ (10,316,294)
Net loss per basic and diluted share of common stock:		
Weighted average number of basic common shares outstanding	114,944,800	113,608,523
Basic loss per share of common stock	\$ (0.09)	\$ (0.09)
Weighted average number of diluted common shares outstanding	114,944,800	113,608,523
Diluted loss per share of common stock	\$ (0.09)	\$ (0.09)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Equity (Deficit)
	Shares	Amount			
Balance at December 31, 2010	111,814,852	\$ 1,118,149	\$ 121,835,134	\$ (120,826,188)	\$ 2,127,095
Net loss	-	-	-	(10,316,294)	(10,316,294)
Common stock issued for settlement of accounts payable	82,418	824	10,714	-	11,538
Compensation expense from issuance of stock options	-	-	185,202	-	185,202
Common stock issued for deferred stock units	280,357	2,804	(2,804)	-	-
Compensation expense from issuance of deferred stock units	-	-	105,000	-	105,000
Balance at December 31, 2011	112,177,627	1,121,777	122,133,246	(131,142,482)	(7,887,459)
Net loss	-	-	-	(10,254,344)	(10,254,344)
Compensation expense from issuance of stock options	-	-	72,894	-	72,894
Common stock issued for deferred stock units	310,977	3,110	(3,110)	-	-
Compensation expense from issuance of deferred stock units	-	-	105,000	-	105,000
Balance at December 31, 2012	112,488,604	\$ 1,124,887	\$ 122,308,030	\$ (141,396,826)	\$ (17,963,909)

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

	2012	2011
Cash Flows From Operating Activities:		
Net loss	\$ (10,254,344)	\$ (10,316,294)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	765,363	1,111,844
Accretion expense on accrued reclamation costs	402,471	375,302
Amortization of debt issuance costs	314,080	345,969
Issuance of stock options for services rendered	72,894	185,202
Issuance of deferred stock units for services rendered	105,000	105,000
Loss on impairment of property and equipment	851,526	-
Loss on sale of property and equipment	3,235	10,980
Changes in assets and liabilities:		
Accounts receivable	320,587	97,021
Inventories, stockpiles and ore on leach pads	2,886,577	4,365,857
Prepaid expenses and other assets	(12,314)	(13,452)
Accounts payable	248,067	467,629
Accrued interest	3,545,059	2,340,860
Copper derivatives settlement payable	-	9,275,951
Derivative contracts, at fair value	(54,896)	(8,623,030)
Deferred revenue	121,328	(45,948)
Accrued expenses and other liabilities	521,139	413,059
Deposits	22,500	(22,986)
Net Cash Provided (Used) By Operating Activities	(141,728)	72,964
Cash Flows From Investing Activities:		
Capital expenditures	(43,697)	(753,910)
Net Cash Used By Investing Activities	(43,697)	(753,910)
Cash Flows From Financing Activities:		
Principal payments on long-term debt	(7,500)	(304,429)
Proceeds from issuance of notes payable-related party	87,500	-
Principal payments on capital lease	(770)	(16,590)
Net Cash Provided (Used) By Financing Activities	79,230	(321,019)
Net Decrease in Cash and Cash Equivalents	(106,195)	(1,001,965)
Cash and Cash Equivalents at Beginning of Year	118,058	1,120,023
Cash and Cash Equivalents at End of Year	\$ 11,863	\$ 118,058

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$	151,893	\$	559,407
Income taxes		-		-

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

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1. NATURE OF OPERATIONS

Nord Resources Corporation and Subsidiary (the Company) is a United States based corporation involved in all phases of the mining business including exploration, permitting, developing and operating mining projects. The Company's primary asset is the Johnson Camp Copper Mine (Johnson Camp Mine) located in Arizona. In July 2007, the Company commenced the reactivation of the Johnson Camp Mine. The Company commenced copper cathode production from leaching existing dumps in January 2008. The Company commenced mining of new ore upon completion of the reactivation work in January 2009, and commenced production of nominal amounts of copper from newly-mined ore during the testing and development phase of the mine in February and March 2009. The Company achieved commercial copper cathode production from newly-mined ore on April 1, 2009 and entered the production stage, following substantial completion of the testing and development phase.

On July 5, 2010, the Company announced that it was implementing measures to reduce its costs, maximize cash flow, and improve its operating efficiencies. As part of this program, the Company temporarily suspended the mining and crushing of ore at the Johnson Camp Mine. The Company continues to produce copper through the leaching of ore already in place on its existing pads and processing the solution through the SX-EW plant. The suspension has resulted in an immediate reduction of costs and has enabled the Company to maximize operating cash flow from the production of copper achieved through continued leaching of ore on the Company's existing pads and the operation of its SX-EW plant. The suspension has provided the Company with the opportunity to further evaluate its geological data, continue column leach testing, expand mineralogical classification of the reserve and perform additional drilling as appropriate. The resulting improved database and geologic block model will provide the necessary tools to optimize the mine plan by focusing on higher grade acid-soluble ore.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. The Company is currently in default on its Credit Agreement, as amended, with Nedbank, its Copper Hedge Agreement with Nedbank Capital, and its unsecured note with Fisher Industries. As of the date of these consolidated financial statements, neither Nedbank nor Fisher Industries have exercised their rights under their respective debt agreements to provide notification of such condition or commence foreclosure actions on the collateral held, which represents substantially all of the assets of the Company. The Company's continuation as a going concern is dependent upon its ability to refinance the obligations under the Credit Agreement with Nedbank, the Copper Hedge Agreement with Nedbank Capital, and the unsecured note with Fisher Industries, thus curing the current state of default under the respective agreements, raise additional capital, and on its ability to produce copper to sell at a level where the Company becomes profitable and generates cash flows from operations. The Company's continued existence is dependent upon its ability to resume full operations and achieve its operating plan. If management cannot achieve its operating plan because of sales shortfalls, a reduction in copper prices, or other unfavorable events, the Company may find it necessary to dispose of assets, or undertake other actions as may be appropriate. The Company's ramp-up of production since the commencement of commercial production has been slower than originally forecasted. In July 2010, the Company implemented measures to reduce costs, maximize cash flow, and improve efficiencies. The Company immediately suspended the mining and crushing of ore. In addition, the Company initiated additional drilling, metallurgical testing and assaying to enhance the understanding of mineralogy and the distribution of acid-soluble grades in the block model; and, updating the mine plan to optimize production and increase operating efficiencies. Since July 2010, the Company has made several additional reductions in their workforce in response to subsequent decreases to copper production.

The Company is evaluating a variety of alternatives to improve its liquidity. There can be no assurance that the Company will be able to improve its liquidity.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to mineral reserve estimation, the metallurgical recovery rate and estimates of recoverable copper in stockpiles and ore on leach pads of the Johnson Camp Mine that are the basis for future cash flow estimates; estimates of costs to produce a pound of copper under normalized production levels (standard costs); useful asset lives for depreciation, depletion and amortization; reclamation and closure cost obligations; asset impairment (including long-lived assets), including estimates used to derive future cash flows associated with those assets; deferred taxes and valuation allowances; disclosures and reserves for contingencies and litigation; and the fair value and accounting treatment of financial instruments and stock based compensation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

During the year ended December 31, 2011, the Company made the following changes to estimates having a material impact on the current and/or future consolidated financial statements: a) As of March 31, 2011, the Company determined that certain aspects of the reclamation plan could be revised thus decreasing the estimated costs to reclaim the Johnson Camp Mine to approximately \$9,100,000 (based on 2011 dollars). This estimate was subsequently refined during the quarter ended June 30, 2011 to \$10,100,000. Accordingly, these cash flow revisions were effected in the estimated fair value of the asset retirement obligation as of June 30, 2011 which decreased the obligation by a net amount of \$1,112,771 from the amount recorded at December 31, 2010.

The Company is currently in the process of revising its estimate of the proven and probable reserves at the Johnson Camp Mine. As the Company has allocated \$0 to proven and probable reserves on the consolidated balance sheet as of December 31, 2012 and 2011, a revision, if and when it occurs, is not expected to have a material impact on the Company's consolidated financial statements. Furthermore, under current market conditions, the Company does not believe that a revision will trigger an impairment analysis for its long-lived assets. A revision to the estimate of proven and probable reserves, when and if it occurs, will be accounted for on a prospective basis and will impact those items that are amortized via the units of production method; specifically property and equipment and deferred revenue.

Cash and Cash Equivalents

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

Restricted Cash and Marketable Securities

As required by the Credit Agreement with Nedbank Limited (Nedbank) dated June 28, 2007 (the Credit Agreement), the Company is required to maintain a balance of the greater of (a) \$3,000,000 or an amount equal to obligations scheduled to become due during the period of the next two consecutive fiscal quarters. The Company believes that it is not required to maintain the Debt Service Reserve Balance until it is in the financial position to fund such an account. The Company did not maintain any restricted cash balances at December 31, 2012 and 2011, respectively.

Restricted marketable securities held as collateral for power and environmental obligations at December 31, 2012 and 2011, consist of certificates of deposit (CDs) which are considered held-to-maturity securities and are stated at amortized cost of \$686,476 on the consolidated balance sheets. The CDs expired in December 2012 and were simultaneously renewed for a 12 month period, extending their maturity date to December 2013. The CDs carried a stated interest rate of .05% per annum which remained unchanged upon renewal. All marketable securities are defined as held-to-maturity securities, trading securities or available-for-sale securities under the applicable guidance related to the accounting for certain investments in debt and equity securities. Management determines the appropriate classification of the Company s investments in marketable debt and equity securities at the time of each purchase and re-evaluates such determination at each balance sheet date. Securities that are bought with the intent and ability to be held to maturity are classified as held-to-maturity securities. Held-to-maturity securities are carried at amortized cost on the consolidated balance sheet until sold. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and unrealized gains and losses are included in earnings. Debt securities, for which the Company does not have the intent or ability to hold to maturity, and equity securities are classified as available for sale. Available-for-sale securities are carried at fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders equity. The cost of investments sold is determined on the specific identification or the first-in, first-out method.

Accounts Receivable

The Company grants credit to all qualified customers and generally requires no collateral. Accounts receivable are carried at cost less an allowance for losses, if an allowance is deemed necessary. The Company does not accrue finance or interest charges. On a periodic basis, the Company evaluates its accounts receivable and determines the requirement for an allowance for losses based upon history of past write offs, collections and current credit conditions. A receivable is written off when it is determined that all reasonable collection efforts have been exhausted and the potential for recovery is considered remote. Management determined that no allowance for losses was required as of December 31, 2012 and 2011.

Revenue Recognition

The Company recognizes revenue from the sale of products, and related costs of products sold, where persuasive evidence of an arrangement exists, delivery has occurred, the seller s price is fixed or determinable and collectability is reasonably assured. This generally occurs when the customer receives the product or at the time title passes to the customer.

Inventories

As described below, costs that are incurred in or benefit the productive process are accumulated as stockpiles, ore on leach pads and inventories and classified as such on the consolidated balance sheet. Inventories are carried at the lower of average cost or net realizable value. Net realizable value represents the estimated future sales price of the product based on current and long term metals prices, less the estimated costs to complete production and bring the product to sale. Write downs of inventories, resulting from net realizable value impairments, are reported as a component of income (loss) from operations. Abnormal production costs, which are costs incurred in excess of standard , or the average cost to produce a pound of copper at normalized production capacity, are expensed as

incurred. During the years ended December 31, 2012 and 2011, abnormal production costs were \$8,130,004 and \$11,755,375, respectively, and are included in cost applicable to sales within the consolidated statements of operations.

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

Stockpiles

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

Ore on Leach Pads

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

The estimates of recoverable copper on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on ore type). In general, leach pads recover substantially all of the recoverable pounds in the first year of leaching.

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

In process Inventory

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

Finished Goods Inventory

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

Materials and Supplies

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

Derivative Instruments and Hedging Activities

Copper Price Protection Program

In connection with the credit agreement dated June 28, 2007 with Nedbank, the Company agreed to implement a price protection program with respect to a specified percentage of copper output from the Johnson Camp Mine. The price protection program consisted of financial derivatives whereby the Company entered into a combination of forward sale and call option contracts for copper quantities, based on a portion of the estimated production from the Johnson Camp Mine during the term of the loan. These financial derivatives did not require the physical delivery of copper cathode and were expected to be net cash settled upon maturity and/or settlement of the contracts based upon the average daily London Metal Exchange (LME) cash settled copper price for the month of settlement. The program required no cash margins, collateral or other security from the Company. As of December 31, 2012 and 2011, all of the copper derivative instruments had matured.

Interest Rate Swaps

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

Under ASC guidance for derivative instruments and hedging activities, the interest rate swap agreement is carried on the consolidated balance sheets at estimated fair value which was \$0 and (\$54,896) as of December 31, 2012 and 2011, respectively. During the years ended December 31, 2012 and 2011, the Company recognized \$42,480 and \$209,185, respectively, in interest expense in the consolidated statements of operations related to the quarterly settlements under the terms of the interest rate swap. In addition, the Company recognized unrealized gains of \$0 and \$167,874, respectively, related to the changes in estimated fair value of the interest rate swap that occurred during the years ended December 31, 2012 and 2011, respectively.

Fair Value Accounting

In September 2006, the Financial Accounting Standards Board (FASB) issued guidance which defined fair value, established a framework for measuring fair value in generally accepted accounting principles, and expanded disclosures about fair value measurements. The provisions of this guidance were adopted by the Company on January 1, 2008. In February 2008, the FASB staff issued additional guidance which delayed the effective date of this guidance for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company adopted those provisions that relate to nonfinancial assets and liabilities on January 1, 2009.

In October 2008, the FASB issued guidance for determining the fair value of a financial asset when the market for that asset is not active. This guidance states that determining fair value in an inactive market depends on the facts and circumstances, requires the use of significant judgment and in some cases, observable inputs may require significant adjustment based on unobservable data. Regardless of the valuation technique used, an entity must include appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when determining fair value of an asset in an inactive market. This guidance was effective upon issuance and did not have a material impact on the Company.

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

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the financial assets and liabilities within the consolidated balance sheets as of December 31, 2011 that were measured at fair value on a recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Total	Level 1	Level 2	Level 3
December 31, 2011				
Liabilities:				
Derivative contract interest rate swap contract	\$ (54,896)		\$ (54,896)	

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

As of December 31, 2011, the estimated fair values for the Company's interest rate swap liabilities include a credit valuation adjustment of \$1,694 which is based upon the Company's estimated credit risk adjustment of 9.06% above the risk free rate.

The Company's copper forward contracts and call options on copper forward contracts are covered under a master netting agreement with the counterparty, Nedbank, and, as such, are netted within the consolidated balance sheets. As of December 31, 2012 and 2011, all of the copper forward and call option contracts had matured.

The following table sets forth the financial assets and liabilities within the consolidated balance sheet as of December 31, 2011 that were measured at fair value on a non-recurring basis by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Total	Level 1	Level 2	Level 3
December 31, 2011				
Liabilities:				
Asset retirement obligation	\$ (2,934,979)			\$ (2,934,979)

The Company estimates its asset retirement obligations and related accrued reclamation costs using an expected cash flow approach, in which multiple cash flow scenarios are used to reflect a range of possible outcomes. In March 31, 2011, the Company determined that certain aspects of the reclamation plan could be revised thus decreasing the estimated costs to reclaim the Johnson Camp Mine to approximately \$9,100,000 (based on 2011 dollars). This estimate was subsequently refined during the quarter ended June 30, 2011 to \$10,100,000. Accordingly, these cash flow revisions were effected in the estimated fair value of the asset retirement obligation as of June 30, 2011.

Shipping and Handling Costs

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

Debt Issuance Costs

Debt issuance costs are amortized over the life of the related loan as interest expense. The debt issuance costs are being amortized over the term of the related financing facility using the straight line method, which approximates the effective interest method. Accumulated amortization of debt issuance costs was \$1,515,331 and \$1,201,251 at December 31, 2012 and 2011, respectively. Unamortized debt issuance costs were \$54,604 and \$368,684 at December 31, 2012 and 2011, respectively.

Property and Equipment

Property and equipment are carried at cost. Mineral exploration costs, as well as drilling and other costs incurred for the purpose of converting mineral resources to proven and probable reserves or identifying new mineral resources at exploration, development or production stage properties, are charged to expense as incurred. Development costs are capitalized beginning after the existence of proven and probable reserves have been established. Development costs include costs incurred resulting from mine preproduction activities undertaken to gain access to proven and probable reserves including ramps, permanent excavations, infrastructure, removal of overburden and the substantial completion of the testing phase of the mining and ore processing activities. Additionally, interest expense allocable to the cost of developing mining properties and of constructing new facilities is capitalized until the assets are ready for their intended use. Accordingly, the Company did not capitalize any interest costs incurred during the years ended December 31, 2012 and 2011, respectively.

Expenditures for replacements and improvements are capitalized. Costs related to periodic scheduled maintenance are expensed as incurred. Depreciation for mining life-of-mine assets, infrastructure and other common costs is determined using the unit-of-production method based on total estimated recoverable proven and probable copper reserves. Development costs and acquisition costs for proven and probable reserves that relate to a specific ore body are depleted using the unit-of-production method based on estimated recoverable proven and probable reserves for the ore body benefited. Depreciation, depletion and amortization using the unit-of-production method is recorded upon extraction of the recoverable copper from the ore body, at which time it is allocated to inventory cost and ultimately included as a component of operating expenses. Other assets are depreciated on a straight-line basis over estimated useful lives of up to 16 years for buildings, 3 to 6 years for machinery and equipment, and 3 to 5 years for mobile equipment.

Long Lived Assets

The Company reviews and evaluates its long lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques such as estimated future cash flows. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows for the Johnson Camp Mine include estimates of recoverable pounds of copper, copper prices (considering current and historical prices, price trends and related factors), production rates and costs, capital and reclamation costs as appropriate, all based upon life of mine engineering plans and feasibility studies. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. During the year ended December 31, 2012, the Company recognized a loss of \$851,526 on impairment of property and equipment as discussed in Note 6. No impairment losses were recorded during the year ended December 31, 2011.

Reclamation Costs

Reclamation costs are allocated to expense over the life of the related assets and are adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate. The asset retirement obligation is based on when the spending for an existing environmental disturbance and activity to date will occur. The Company reviews its asset retirement obligation, on an annual basis, unless a triggering event occurs that requires a more frequent evaluation. The asset retirement obligation at the mine site is accounted for in accordance with applicable GAAP for accounting for asset retirement obligations.

Stock Based Compensation

The Company accounts for its awards of stock based compensation under the fair value recognition provisions of applicable GAAP. The estimated grant date fair value of stock based awards, adjusted for those awards that are not expected to vest (forfeitures), is expensed over the requisite service period, which is typically equivalent to the vesting terms of the award. The Company has granted incentive and non qualified stock options to its employees and directors under the terms of its 2006 Stock Incentive Plan. The Company has also granted non qualified, non plan stock options, which have been authorized by the Company's board of directors. Stock options are generally granted at an exercise price equal to or greater than the quoted market price on the date of grant.

Net Income (Loss) per Share of Common Stock

Basic earnings (loss) per common share are computed by dividing net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding adjusted for the dilutive effect, if any, of stock options and warrants. Outstanding options, warrants, and other convertible securities to purchase 7,516,492 and 61,706,635 shares of common stock for the years ended December 31, 2012 and 2011, respectively, are not included in the computation of diluted earnings (loss) per share as the effect of the assumed exercise of these options and warrants would be anti dilutive.

Income Taxes

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

Recently Issued Accounting Guidance

In May 2011, the ASC guidance for fair value measurements was updated to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The amendments in this update will improve the comparability of fair value measurements presented and disclosed in the financial statements prepared in accordance with U.S. GAAP and IFRS. The amendments in this update are to be applied prospectively. Adoption of the updated guidance, effective for the Company's fiscal year beginning January 1, 2012, had no impact on the Company's consolidated financial position, results of operations or cash flows.

In June 2011, the ASC guidance for presentation of comprehensive income was updated to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income to facilitate the convergence of U.S. GAAP and IFRS. The amendments require that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in this update should be applied retrospectively. Adoption of the updated guidance, effective for the Company's fiscal year beginning January 1, 2012, had no impact on the Company's consolidated financial position, results of operations or cash flows.

3. INVENTORY

Inventory is as follows:

	At December 31,	
	2012	2011
Current Assets:		
Copper in process	\$ 2,018,795	\$ 3,170,759
Finished goods	72,815	37,361
Material and supplies	441,582	555,772
	2,533,192	3,763,892
Long-Term Assets:		
Stockpiles and ore on leach pads	4,412,151	6,347,012
	\$ 6,945,343	\$ 10,110,904

The Company's inventories are carried at the lower of cost or net realizable value. Cost for the product inventory is valued using the average cost of production and includes all costs of purchase, costs of conversion (direct costs and an allocation of fixed and variable production overheads) and other costs incurred in bringing the inventories to their present location and condition. The Company only considers those costs that are consistent with its estimate of costs to be incurred at a normalized production level, currently estimated at 25,000,000 pounds per annum, as inventoriable costs. Accordingly, the Company expensed \$8,130,004 and \$11,755,375 of abnormal costs incurred above the standard cost to produce a pound of copper, during the years ended December 31, 2012 and 2011, respectively.

4. MINE DEVELOPMENT COSTS

Costs incurred to get the mine ready for its intended purpose and that provide benefits to future periods, net of the realized value of nominal amounts of copper sold during the development period, are capitalized as mine development costs. Costs incurred upon the attainment of the production stage, which is determined upon the achievement of levels of commercial production that are not a result of the development and testing of the mining process, are expensed as incurred.

Production of Copper from Mining of New Ore

As a result of the development and testing of mining operations for the production of new ore, the Company began producing a nominal amount of copper cathode from newly-mined ore in February 2009. The Company achieved commercial production from the mining of new ore, which was based upon substantial completion of the testing and development phase, on April 1, 2009. Upon the achievement of commercial production from the mining of new ore, the costs to operate the mine were expensed as incurred and the capitalized mine development costs associated with the production of copper from the mining of new ore commenced being amortized over the life of the mine based on a units of production method. As the Johnson Camp Mine attained the production stage on April 1, 2009, subsequently, no mine development costs were capitalized. During 2012 and 2011, the Company did not amortize any mine development costs from the development and testing of mining operations of new ore as all of the copper produced during the year was from residual leaching. The balance of the mine development costs, net of accumulated amortization, for development and testing of mining operations of new ore was \$1,671,646 as of December 31, 2012 and 2011.

5. PROPERTY AND EQUIPMENT

Property and equipment costs consist of the following:

	At December 31,	
	2012	2011
Land	\$ 87,114	\$ 87,114
Buildings	2,071,618	2,071,618
Mine development costs – existing dumps	468,034	468,034
Mine development costs – new dumps	1,841,080	1,841,080
Asset retirement obligation	2,708,870	2,708,870
Mining and other equipment	42,457,786	43,341,482
Total	\$ 49,634,502	\$ 50,518,198
Accumulated depreciation, depletion and amortization	(6,648,074)	(6,313,728)
Net property and equipment	\$ 42,986,428	\$ 44,204,470

Total depreciation, depletion and amortization (DD&A) of property and equipment charged to operations was \$765,363 and \$1,111,844 for the years ended December 31, 2012 and 2011, respectively. The Company allocates DD&A to copper inventories based upon the relative pounds in inventory at each reporting date. Accordingly, as of December 31, 2012 and 2011, \$644,145 and \$923,129, respectively, of DD&A costs were included in copper inventories.

6. LOSS ON IMPAIRMENT OF PROPERTY AND EQUIPMENT

Upon completion of the refinancing, the outcome of which is not assured, the Company plans to construct and place into service a new leach pad. Consequently, the Company does not plan to place additional crushed ore on the existing pad. Therefore, the overland conveyor which currently transports ore from the agglomerator to a transition conveyor

just east of the existing pads is no longer needed. A replacement conveyor belt which can only be used on this conveyor is also considered redundant. The net book value of this equipment prior to impairment was \$1,319,526. The Company believes the fair value of this equipment is approximately \$468,000 and estimated its fair value based on similar property and equipment in the southwestern United States. Consequently, the Company has recorded an impairment charge of \$851,526 in Other Income (Expense) on the Consolidated Statements of Operations.

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The following table sets forth the estimated fair value and the impairment of the assets that are measured on a non-recurring basis by level within the fair value hierarchy as of December 31, 2012:

	Level 2	Total	Impairment Loss
December 31, 2012			
Asset:			
Property and equipment	\$ 468,000	\$ 468,000	\$ (851,526)

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses consist of the following:

	At December 31,	
	2012	2011
Accrued payroll expense	\$ 379,529	\$ 244,666
Accrued property taxes	1,404,917	984,651
Other accrued liabilities	61,266	86,757
Total	\$ 1,845,712	\$ 1,316,074

As of December 31, 2012, other current liabilities of \$379,194, that are not included in accrued expenses above, are primarily comprised of \$187,500 in related party convertible notes payable to Mr. Ron Hirsch, Chairman of the Company's Board of Directors, Mr. Stephen Seymour, a Director of the Company, Mr. Ross Beatty, a major shareholder and \$183,002 in deferred revenue.

8. LONG TERM DEBT

Long term debt consists of the following:

	At December 31,	
	2012	2011
Senior project financing facility	\$ 23,257,826	\$ 23,257,826
Less current maturities on senior facility	(23,257,826)	(21,481,183)
Less long-term portion of senior facility accelerated due to default		(1,776,643)
Total	\$	\$
<i>Senior Project Financing Facility</i>		

In March 2009, the Company agreed to amend and restate its \$25 million Senior Project Financing Facility (Credit Agreement) with Nedbank. Payments of principal and interest on the loan are required to be made on the last business day of March, June, September, and December in each year, starting with the last business day of September 2009 and ending on the last business day of March 2013; the payments scheduled to be paid on March 31 and June 30, 2009 have been deferred until December 31, 2012 and March 31, 2013, respectively. In consideration of Nedbank's agreement to amend and restate the Credit Agreement, the Company issued 731,480 common stock purchase warrants to N.B.S.A. Limited, a company affiliated with Nedbank. Each warrant is exercisable for two years and entitles the holder to purchase one share of the Company's common stock at an exercise price of \$0.30 per share. The estimated \$100,000 value of the warrants, as determined pursuant to the Black-Scholes model, has been capitalized as debt issuance costs and is being amortized to interest expense over the remaining life of the related debt. During the year ended December 31, 2011, the Company recognized \$25,000 in interest expense related to this issuance. The warrants expired unexercised on March 31, 2011.

The Company was unable to make the quarterly payments of principal in the amounts of \$1,790,099 that were due on between March 31, 2010 and December 31, 2012, respectively, and interest payments during the same period totaling \$7,363,900 to Nedbank under the terms of the amended and restated Credit Agreement dated March 31, 2009. The Company is now in default of its obligations under the Credit Agreement with Nedbank, and the full amount of the outstanding principal of \$23,257,826 must now be included in the Company's current liabilities. Accordingly, the Company has reclassified \$1,776,643 of senior long-term debt to current liabilities within its consolidated balance sheet as of December 31, 2011. Given this default, Nedbank has full authority to exercise its rights under the Credit Agreement, including the acceleration of the full amount due thereunder and the institution of foreclosure proceedings against the Johnson Camp Mine. In accordance with the Credit Agreement, upon an event of default the interest rate on the outstanding debt and unpaid accrued interest is increased by 3.00% to the three-month United States Dollar London Interbank Offered Rate (LIBOR) plus 9.06% (9.37% at December 31, 2012). Accrued interest related to the Credit Agreement was \$7,363,900 and \$4,621,153 as of December 31, 2012 and 2011, respectively, and is included within accrued interest on the consolidated balance sheets.

The Credit Agreement is collateralized by substantially all of the Company's assets, restricts the Company's ability to incur certain additional debt, and limits the Company's ability to pay dividends and make restrictive payments. Effective March 31, 2009, the Company must comply with certain financial covenants as defined within the amended and restated credit agreement, including a debt service coverage ratio of at least 1.5, an interest coverage ratio of at least 2.0, and a minimum debt to adjusted equity ratio of 1.3. The Company was not in compliance with these covenants as of December 31, 2012 and 2011.

Pursuant to the terms of the Credit Agreement, as amended, upon default, Nedbank has the right, among others, to provide notification of such condition and commence foreclosure actions on the collateral held, which represents substantially all of the assets of the Company. To date, the Company has not received notification that Nedbank has exercised its rights under the Credit Agreement.

In accordance with the Credit Agreement, a default on the derivative contracts to which Nedbank is the counterparty would trigger a cross default under the Credit Agreement which would put Nedbank in a position to pursue any and all remedies under the related derivative contracts and Credit Agreement. Furthermore, under the Credit Agreement and derivative contracts, there is a master netting agreement which allows either party to offset an obligation by the other should either party be in default of its obligations. The Company was unable to make the required payments that were due to Nedbank Capital between April 6, 2010 and January 6, 2012 under the terms of its Copper Hedge Agreement. As of December 31, 2012 and 2011, the total amount due to Nedbank Capital under the Copper Hedge Agreement was \$16,106,691 and is included in copper derivatives settlement payable within the consolidated balance sheets. Interest is being accrued on this liability at Nedbank's internal borrowing rate (0.46% at December 31, 2012).

Note Payable with Mining Contractor

On July 29, 2010, the Company reached an agreement with Fisher Sand & Gravel Company (Fisher) to convert \$8,200,000 of unsecured trade payables, including a former note in the amount of \$850,000 and \$110,500 of accrued interest thereon, into a two-year unsecured note bearing interest on the outstanding principal at the rate of 6% per annum.

Under the Settlement Agreement, Fisher receives weekly payments on the Note with the amounts based on a formula related to the level of copper sales made by the Company and the weekly realized price of copper. Accordingly, under the Settlement Agreement, if the Company ships four loads, as defined in the Settlement Agreement, or approximately 176,000 pounds of copper or greater on a weekly basis, the weekly payments are calculated by multiplying the base amount of \$100,000 by a factor equal to the average weekly realized price of copper per pound divided by \$3.00. If the Company ships between 132,000 (three loads) and 176,000 (four loads) pounds of copper on a weekly basis, the base weekly amount decreases to \$75,000. If the Company ships less than 132,000 pounds of copper on a weekly basis, the amounts due under the note equates to interest only payments on the outstanding principal balance. Any unpaid principal, along with any accrued interest, was due in full on July 31, 2012.

The Company was unable to make the required principal and accrued interest payment to Fisher upon the maturity of the note on July 31, 2012. In order to perfect its default status, Fisher Industries must first provide the Company a written notice of default. If the Company fails to make the required payment to remedy the default within three business days, the whole sum shall become immediately due and payable at the option of Fisher without further notice. As of the date of this report, the Company has not received the default notification from Fisher.

During the years ended December 31, 2012 and 2011, the Company made principal payments on the Note totaling \$7,500 and \$304,429, respectively. During the years ended December 31, 2012 and 2011, interest payments of \$151,893 and \$373,749, respectively, were made in accordance with the Agreement. As of December 31, 2012, the total principal balance on the Note of \$6,183,499 is included in current liabilities. The accrued interest related to the Note as of December 31, 2012 was \$224,223.

9. SALE OF ROYALTY

On March 31, 2009, the Company sold to IRC Nevada Inc., an entity which was subsequently acquired by Royal Gold, a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp. The net proceeds of the sale in the amount of \$4,950,000 were recorded as deferred revenue and are being amortized to revenue over the life of the mine based on a units of production method. Amounts payable to Royal Gold, which are being calculated based on the revenue generated from the sale of copper, are being expensed in the period incurred. During 2012, the Company recognized \$29,750 in revenue and recorded \$203,427 in royalty expense related to this royalty within the consolidated statement of operations. Total deferred revenue is \$4,806,368 as of December 31, 2012, of which \$183,002 is expected to be amortized to revenue over the next twelve months. During 2011, the Company recognized \$45,948 in revenue and recorded \$361,069 in royalty expense related to this royalty within the consolidated statement of operations.

Under the terms of the related agreement, amounts that are not paid to Royal Gold in accordance thereof, accrue interest at an annual rate of 12%. Accordingly, as of December 31, 2012 and 2011, included in accounts payable is \$1,350,182 and \$1,161,755, respectively, due to Royal Gold and, included in accrued interest on the consolidated balance sheets, is an additional \$247,042 and \$110,269, respectively, in accrued interest related thereto.

10. RECLAMATION COSTS

The Company estimates its asset retirement obligations using an expected cash flow approach, in which multiple cash flow scenarios are used to reflect a range of possible outcomes. In March 31, 2011, the Company determined that certain aspects of the reclamation plan could be revised thus decreasing the estimated costs to reclaim the Johnson Camp Mine to approximately \$9,100,000 (based on 2011 dollars). This estimate was subsequently refined during the quarter ended June 30, 2011 to \$10,100,000. Accordingly, these cash flow revisions were effected in the estimated fair value of the asset retirement obligation as revised in the second quarter ended June 30, 2011.

To calculate the estimated fair value of this obligation in accordance with the related ASC, the projected cash flows, which were further adjusted for an estimated inflation rate of 2.5% per annum, were discounted at the Company's estimated annual credit adjusted risk free interest rate of 12.53%. The estimated remaining life of the Johnson Camp Mine as of December 31, 2012 is thirteen years. Accordingly, the cash expenditures for reclamation and closure activities are expected to occur at the conclusion of production, currently anticipated to be in 2024 - 2025. As 100% of the cash flows are projected to occur in 2024 - 2025, 100% of the accrued reclamation costs are classified as long-term within the consolidated balance sheets. A reconciliation of the beginning and ending carrying amounts of the Company's accrued reclamation costs as of December 31, 2012 and 2011 is as follows:

	2012	2011
Accrued reclamation costs, beginning of year	\$ 3,195,497	\$ 3,932,966
Accretion expense	402,471	375,302
Revisions to cash flow estimates	-	(1,112,771)
Accrued reclamation costs, end of year	\$ 3,597,968	\$ 3,195,497

11. COPPER PRICE PROTECTION PROGRAM

In connection with the Credit Agreement dated June 28, 2007 with Nedbank, the Company agreed to implement a price protection program with respect to a specified percentage of copper output from the Johnson Camp Mine. The price protection program consisted of financial derivatives whereby the Company entered into a combination of forward sale and call option contracts for copper quantities based on a portion of the estimated production from the Johnson Camp Mine during the term of the loan. These financial derivatives did not require the physical delivery of copper cathode and are expected to be net cash settled upon maturity and/or settlement of the contracts. The Company implemented the price protection program by entering into forward sales contracts for 4,560 (10,053,081), 3,600 (7,936,643), and 2,400 (5,291,095) metric tons (pounds) of London Metal Exchange (LME) cash settlement copper for 2009, 2010, and 2011, respectively, at a net forward price of \$5,538 (\$2.51), \$4,841 (\$2.20) and \$4,413 (\$2.00) per metric ton (pound) for the same respective periods. The Company simultaneously entered into long call options for the same quantities of copper at an average exercise price of \$8,803 (\$3.99), \$8,523 (\$3.87) and \$8,723 (\$3.96) for 2009, 2010 and 2011, respectively. The program required no cash margins, collateral or other security from the Company. Prior to April 1, 2010, these derivative contracts were classified as cash flow hedges of the price volatility inherent in the Company's projected sales of copper. As of December 31, 2012 and 2011, all of the copper derivative contracts had matured and the outstanding amount due to the settlement of the contracts was recorded in copper derivatives settlement payable on the consolidated balance sheets.

Under ASC guidance for derivative instruments and hedging activities, prior to maturity, these contracts are carried on the consolidated balance sheets at their estimated fair value. As of December 31, 2011 all of the copper forward and call option contracts have matured. During the year ended December 31, 2011, the Company recognized realized losses of \$9,661,133 from the settlement of copper derivative contracts. However, the estimated fair value of these contracts was \$(8,455,156) as of December 31, 2010; and, as such, the net effect on the Company's consolidated statement of operations for the year ended December 31, 2011 was a loss on derivatives classified as trading securities of \$1,205,977.

As of December 31, 2012 and 2011, the Company is in default of the related Copper Hedge Agreement as it failed to make the requisite monthly payments (March 31, 2010 through December 31, 2011 settlements) related to the settlement of the derivative contracts. As of December 31 2012 and 2011, the total amounts owed to Nedbank as a result of these missed payments is \$16,106,691, plus accrued interest thereon.

12. INTEREST RATE SWAP CONTRACT

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

Under ASC guidance for derivative instruments and hedging activities, the interest rate swap agreement is carried on the consolidated balance sheets at estimated fair value which was \$0 and (\$54,896) as of December 31, 2012 and 2011, respectively. Until July 1, 2010, this contract was designated as a cash flow hedge with changes in estimated fair value reflected in AOCI. As noted above, the Company continues to be in default on the Nedbank Credit Facility as it failed to make the requisite debt service payments for the period from March 31, 2010 to December 31, 2012.

During the years ended December 31, 2012 and 2011, the Company recognized \$42,480 and \$209,185, respectively, in interest expense in the consolidated statements of operations related to the quarterly settlements under the terms of the interest rate swap. In addition, during the years ended December 31, 2012 and 2011, the Company recognized a realized gain of \$54,896 and an unrealized gain of \$169,568, respectively, related to the changes in estimated fair value of the interest rate swap that occurred during the years ended December 31, 2012 and 2011.

As of December 31, 2011 estimated fair value balance includes a credit valuation adjustment of \$1,694 which was based upon the Company's estimated credit risk adjustment of 9.06% above the risk free rate, and is reported in unrealized gain on derivatives classified as trading securities within the consolidated statement of operations for the years ended December 31, 2011.

Fair Value of Interest Rate Swap Derivative Instruments

	Balance Sheet Location	Fair Value
As of December 31, 2011		
Interest rate swap contracts	Current liabilities	\$ 54,896

13. SALES AGREEMENT

The Company has entered into a long term copper cathode sales agreement effective February 1, 2008, with Red Kite Master Fund Limited ("Red Kite") for 100% of the copper cathode production from the Johnson Camp Mine. The agreement runs through December 31, 2012 with renewable extensions by mutual agreement of both parties. Pursuant to the agreement, Red Kite will accept delivery of the cathode at the Johnson Camp Mine, and pricing will be based on the average monthly COMEX price for high grade copper. Accordingly, during the years ended December 31, 2012 and 2011, the Company sold approximately and 2,257,040 pounds (1,024 metric tons) and 3,582,142 pounds (1,625 metric tons) of copper cathode, respectively, to Red Kite under the terms of the agreement which represented 100% of the Company's copper sales. In addition, amounts due from Red Kite comprised 0% and 95% of total accounts receivable as of December 31, 2012 and 2011, respectively.

14. INCOME TAXES

The components of the provision for income taxes as of December 31, 2012 and 2011 are as follows:

	2012	2011
Current:		
Federal	\$	\$
State		
Total current income tax expense		
Deferred:		
Federal		
State		
Total deferred income tax expense		
Total	\$	\$

The provision for income taxes reconciles to the amount computed by applying the federal and state statutory rates to income before the provision for income taxes as follows:

	2012	2011
Federal statutory rate	35%	35%
State income taxes, net of federal benefits	5%	5%
Valuation allowance	(40)%	(40)%
Total	%	%

Significant components of deferred income taxes as of December 31, 2012 and 2011 are as follows:

	2012	2011
Net operating loss carry forwards	\$ 29,050,000	\$ 26,660,000
Other tax credits	1,040,000	1,040,000
Stock based compensation	800,000	807,000
Asset impairment	337,000	
Accrued payroll expense	51,000	51,000
Losses on derivatives	6,370,000	6,392,000
Inventory	350,000	118,000
Accrued reclamation expense	373,000	214,000
Other	6,000	10,000
Valuation allowance	(38,127,000)	(34,805,000)
Total deferred tax asset	250,000	487,000
Depreciation and amortization	(250,000)	(487,000)
Total deferred tax liability	(250,000)	(487,000)
Net deferred tax asset	\$	\$

The Company records a valuation allowance for certain temporary differences for which it is more likely than not that it will not receive future tax benefits. The Company assesses its past earnings history and trends, sales backlog and projections of future net income. The Company recorded a valuation allowance for the entire amount of the net deferred tax asset in 2012 and 2011 as the Company considered it to be unlikely to recognize sufficient operating income to realize the benefit of these assets over time until the Company has had a reasonable history of net income. Accordingly, the Company recorded a deferred tax valuation allowance in 2012 and prior years to offset the entire deferred tax asset arising from the tax loss carry forward and other temporary differences. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized, based upon criteria that include a recent history of demonstrated profits. The net change in the valuation allowance was an increase of \$3,322,000 and a decrease of \$4,152,000 in 2012 and 2011, respectively. The Company will continue to review this valuation allowance and make adjustments as appropriate.

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The tax benefits associated with employee exercises of non-qualified stock options and disqualifying dispositions of stock acquired with incentive stock options reduce income taxes currently payable. However, no benefits were recorded to additional paid-in capital in 2012 or 2011 because their realization was not more likely than not to occur and consequently, a valuation allowance was recorded against the entire benefit.

At December 31, 2012, the Company had federal and state net operating loss (NOL) carry forwards of approximately \$79,600,000 and \$26,200,000, respectively. The Company also had a capital loss carry forward of approximately \$9,000,000 which expired in 2011. The NOL carry forwards expire in the years 2013 through 2032, and 2013 through 2017, for federal and state purposes, respectively. The Company believes that a change of control in accordance with section 382 of the Internal Revenue Code occurred on or before November 5, 2009, therefore, the Company's ability to fully utilize its net operating loss carry forward in computing its taxable income will be limited to an annual maximum of the value of the Company just prior to the change in control multiplied by the long-term tax exempt rate. This potential limitation has not been accounted for within the deferred income tax asset for net operating loss carry forwards; however, as previously discussed, the Company has applied a 100% valuation allowance against its net deferred tax assets as of December 31, 2012 and 2011, respectively.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2012 and 2011, the Company made no provisions for interest or penalties related to uncertain tax positions. The tax years 2009-2012 remain open to examination by the Internal Revenue Service of the United States.

15. STOCKHOLDERS' EQUITY (DEFICIT)

Authorized Shares

In June 2011, the stockholders adopted a resolution approving an amendment to the Company's Amended Certificate of Incorporation to increase the number of authorized shares of common stock from 200,000,000 to 400,000,000. Accordingly, on August 1, 2011, the Company increased the number of authorized shares of Common Stock from 200,000,000 to 400,000,000.

Common Stock

On November 5, 2009, the Company completed an unregistered brokered private placement of 40 million units (the Units) for total gross proceeds to the Company of \$12,000,000. In connection with the offering, the Company paid the agents of the offering a commission equal to \$600,000, or 5% of the gross proceeds of the offering. After deducting additional offering expenses of \$162,191, the Company received net proceeds of \$11,237,809. Each Unit, priced at \$0.30 per Unit, consists of one common share (each a Share) and one common share purchase warrant (each a Warrant). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.38 per share until June 5, 2012. The Warrants provide for adjustments in the event of stock dividends, subdivisions, consolidations, and other forms of capital reorganization.

There were no stock options exercised during 2012 or 2011.

During 2011, the Company issued of 82,418 shares (valued at \$11,538) of common stock to a current board member and the executive officers for payment for services rendered to the Company.

Deferred Stock Units

During the years ended December 31, 2012 and 2011, certain equity based fees were paid to the Company's non executive directors in the form of awards issued pursuant to the Company's 2006 Stock Incentive Plan. The non executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units (DSUs). Each of the Company's non executive directors exercised such rights in respect of the equity based fees payable to them for 2012 and 2011. Accordingly, during 2012 and 2011, the Company credited a total of 2,554,637 and 1,004,694 DSUs, respectively, to its non executive directors, and recognized compensation expense of \$105,000 and \$105,000, respectively, related to the issuance of these DSUs. During 2012 and 2011, 310,977 and 280,357 DSUs, respectively, were converted into common shares. As of December 31, 2012 and 2011, there were 4,382,900 and 2,139,240 DSUs outstanding, respectively.

Warrants

During 2012, all of the outstanding warrants expired unexercised. As of December 31, 2011, there were a total of 55,333,350 warrants, to purchase common shares of the Company at an average exercise price of \$0.58 per share; 40,000,000 and 15,333,350 warrants had exercise prices of \$.38 and \$1.10 per share, respectively. As of December 31, 2012, there were no warrants outstanding.

16. BASIC AND DILUTED EARNINGS (LOSS) 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 which includes the effect of the outstanding deferred stock units. Diluted earnings (loss) per share are calculated based on the weighted average number of common shares outstanding adjusted for the dilutive effect, if any, of stock options and warrants outstanding. Total outstanding stock options and warrants to purchase shares of the Company's common stock were 7,516,491, and 61,706,635 as of December 31, 2012 and 2011, respectively. This includes outstanding promissory notes totaling \$187,500 and accrued interest of \$25,682 which may convert into 3,077,997 shares at the option of the note holder. Outstanding options and warrants to purchase shares of common stock for the years ended December 31, 2012 and 2011 are not included in the computation of diluted earnings (loss) per share as the effect of the assumed exercise of these options and warrants would be anti-dilutive.

The following table includes the computation of basic and diluted earnings (loss) per share for the years ended December 31, 2012 and 2011:

	2012	2011
Numerator:		
Net loss available for common stock holders	\$ (10,254,344)	\$ (10,316,294)
Denominator:		
Basic		
Weighted average outstanding shares of common stock	114,944,800	113,608,523
Diluted		
Warrants		
Stock options		
Common stock and common stock equivalents	114,944,800	113,608,523
Loss Per Share:		
Basic	\$ (0.09)	\$ (0.09)
Diluted	\$ (0.09)	\$ (0.09)

17. STOCK BASED COMPENSATION

2006 Stock Incentive Plan

The Company has adopted a stock incentive plan (the 2006 Stock Incentive Plan) which was approved by the stockholders of the Company at the Annual General Meeting of Stockholders held on October 18, 2006. A total of 6,000,000 shares of common stock have been reserved for issuance under all awards that may be granted under the 2006 Stock Incentive Plan. Eligible Participants who are entitled to participate in the 2006 Stock Incentive Plan consist of employees, directors and consultants of (a) the Company or (b) any of the following entities: (i) any parent corporation as defined in the Internal Revenue Code of 1986, as amended (the Code); (ii) any subsidiary corporation as defined in the Code; or (iii) any business, corporation, partnership, limited liability company or other entity in which the Company, a parent corporation or a subsidiary corporation holds a substantial ownership interest, directly or indirectly. In October 2010, the Company filed a Form S-8 registration statement which increased the common shares available for distribution under the 2006 Stock Incentive Plan from 6,000,000 to 11,000,000.

The 2006 Stock Incentive Plan provides for the granting to Eligible Participants of such incentive awards (each, an Award) as the administrator of the 2006 Stock Incentive Plan may from time to time approve. Subject to applicable laws, including the rules of any applicable stock exchange or national market system, the administrator is authorized to grant any type of Award to an Eligible Participant (each a Grantee) that by its terms involves or may involve the issuance of: (i) shares of common stock, (ii) a stock option, (iii) a stock appreciation right entitling the Grantee to acquire such number of shares of common stock or such cash compensation as will be determined by reference to any appreciation in the value of the Company's common stock, (iv) restricted stock issuable for such consideration (if any) and subject to such restrictions as may be established by the administrator, (v) unrestricted stock issuable for such consideration (if any) on such terms and conditions as may be established by the administrator, (vi) restricted stock units, subject to such restrictions as may be imposed by the administrator, and represented by notional accounts maintained in the respective names of the Grantees that are valued solely by reference to shares of common stock of the Company and payable only in shares after the restrictions eligible remuneration otherwise payable in shares of common stock, subject to settlement in accordance with the terms and conditions of the Award and represented by notional accounts maintained in the respective names of the Grantees, (viii) dividend equivalent rights, which are rights entitling the Grantee to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock, (ix) any other security with the value derived from the value of the Company's common stock, or (x) any combination of the foregoing. Subject to payment of the exercise price, the Company issues common stock from treasury on a fully paid and non-assessable basis upon exercise of any stock options granted as

Awards under the 2006 Stock Incentive Plan.

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Under the 2006 Stock Incentive Plan, stock options may be granted as either incentive stock options or non-qualified stock options.

Stock Options

There are 4,438,494 stock options outstanding at December 31, 2012, all of which have been issued pursuant to the Company's 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2013 to 2017.

During 2012, the Company did not grant any stock options to employees and recognized \$72,894 in compensation expense. During 2011, the Company granted 2,739,243 stock options to employees and directors and recognized \$185,202 in compensation expense.

The following table summarizes the annual activity for all stock options for the years ended December 31, 2012 and 2011:

	Number of Options	Weighted Average Exercise Price
Options outstanding at January 1, 2011	4,551,674	\$.47
Granted	2,739,243	.14
Exercised		
Cancelled/Expired	(1,542,632)	.36
Options outstanding at December 31, 2011	5,748,285	.34
Granted		
Exercised		
Cancelled/Expired	(1,309,791)	.87
Options outstanding at December 31, 2012	4,438,494	\$.18

The following table summarizes certain additional information about the Company's total and exercisable stock options outstanding as of December 31, 2012:

	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Intrinsic Value
Total stock options	4,438,494	2.7	\$.18	\$
Exercisable stock options	3,626,747	2.7	\$.19	\$

The market price of the Company's common stock on December 31, 2012 was \$.02 per share. The weighted average exercise price of the total and exercisable stock options was \$.18 and \$.19, respectively. Accordingly, there was no intrinsic value of such total stock options and exercisable stock options on December 31, 2012.

The following table summarizes the activity in invested stock options for the years ended December 31, 2012 and 2011:

	Number of Options	Weighted Average Grant Date Fair Value
Non vested options outstanding at January 1, 2011	518,505	\$.07
Granted	2,739,243	.10
Vested	(1,643,294)	.09
Cancelled/Forfeited	(87,834)	.05
Non vested options outstanding at December 31, 2011	1,526,620	.10
Granted		
Vested	(635,998)	.09
Cancelled/Forfeited	(78,875)	.11
Non-vested options outstanding at December 31, 2012	811,747	\$.11

The total grant date fair value of options vested during the year ended December 31, 2012 was \$60,128. The Company recognizes stock option compensation expense on stock options with a graded vesting schedule on a straight line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. As of December 31, 2012, 811,747 stock options remained unvested, resulting in \$29,749 in compensation expense to be recognized over the next one and a half years.

The Company uses the Black Scholes option pricing model to estimate the fair value of stock options granted. Given that the 500,000 stock options granted in the first quarter of 2011 were granted to one employee, the Chief Executive Officer of the Company, and the fact that the stock options vested in full as of the grant date, the Company utilized a 0% forfeiture rate for this stock option grant. The expected forfeiture rate of 8% for the stock options granted in the second quarter of 2011 was based on the Company's historical forfeiture rate. The options issued in the third quarter were granted to the Chief Executive Officer and vest in three equal installments – the first third vesting upon issuance and the next two thirds vesting on the annual anniversary date of the issuance; due to these facts, the Company utilized a 0% forfeiture rate for this stock option grant. The expected life of the options granted is estimated using the formula set forth in Securities and Exchange Commission SAB No. 107. The risk free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant and the expected volatility is based on the weighted historical volatility of the Company's common stock and that of its peer group. The peer group is comprised of five publicly traded mining companies that have comparable operational and financial characteristics with that of the Company. The calculated historical volatility for each company in the peer group is given a 10% weighting, for a total peer group weighting of 50%. The calculated historical volatility for the Company is given a 50% weighting within the volatility calculation.

The fair values for the stock options granted during 2011 were estimated at the respective dates of grant using the Black Scholes option pricing model with the following assumptions:

	2011
Risk free interest rate	0.3% to 0.9%
Expected life	2.5 to 3.3 years
Expected volatility	115% to 126%
Expected dividend yield	0%

18. COMMITMENTS AND CONTINGENCIES

Effective June 1, 2006, the Company entered into a lease agreement for office space in Tucson, Arizona. The amount of the lease was \$4,000 per month, subject to 3% escalation per annum and rental tax, and has a term of 5 years. Effective December 2012, the Company entered into a 6 month extension on the lease agreement at a rate of \$4,000 per month plus rental tax. The following is a schedule of future

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minimum lease payments at December 31, 2012 under the Company's operating leases that have non-cancelable lease terms in excess of one year:

Years Ending December 31,	
2013	\$ 20,000
Total	\$ 20,000

Rental expense charged to operations was \$71,842 and \$74,237 for the years ended December 31, 2012 and 2011, respectively.

401(k) Retirement Plan

Effective March 7, 2008, the Company adopted a 401(k) Plan for all of its employees. Under the 401(k) Plan, when an employee meets certain eligibility requirements, the Company will make non-elective contributions in an amount equal to up to 4% of such employee's eligible compensation, pursuant to the tax deferral safe harbor provided for in section 401(k) of the Internal Revenue Code. The Company recognized \$60,709 and \$69,491 of contribution expense related to the 401(k) plan during the years ended December 31, 2012 and 2011, respectively.

Consent/Compliance Orders

In November 2010, Nord and ADEQ reached an agreement to settle all unresolved issues resulting from previously issued Notice of Violations for a penalty of \$65,000 and Nord's completion of several monitoring wells and the installation of a drinking water system under a definitive schedule. These improvements were completed in June 2011 at a cost of approximately \$400,000. In conjunction with this settlement, ADEQ also agreed to the termination of the outstanding Compliance Order. A Consent Judgment in Superior Court reflecting these key provisions and resolving these matters was formally entered into in February 2011.

Officer Indemnification

Under the Company's organizational documents, the Company's officers, employees, and directors are indemnified against certain liabilities arising out of the performance of their duties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects any risk of loss to be remote. The Company also has an insurance policy for its directors and officers to insure them against liabilities arising from their performance in their positions with the Company or its subsidiaries.

Employment Agreement

Effective August 30, 2011 (the Addendum Effective Date), the Company and Mr. Morrison have entered into an Addendum (the "Addendum") to Mr. Morrison's Amended and Restated Executive Employment Agreement, pursuant to which the following changes have been made to Mr. Morrison's Executive Employment Agreement:

- **Additional Bonus.** The Company shall pay Mr. Morrison an additional bonus in the amount of \$300,000 at the same time and under the same terms and conditions as provided in that Section 4(e) of the Executive Employment Agreement. Section 4(e) of the Executive Employment Agreement provides that, among other things, Mr. Morrison is entitled to a bonus under the Company's 2010/2011 Bonus Program equal to 50% of his base salary upon the receipt by the

Company of sufficient funds to (i) restructure the Company's existing debt under the secured term-loan credit facility provided by Nedbank, and under the Copper Hedge Agreement with Nedbank Capital, and (ii) construct Leach Pad 5.

- **Health Insurance and Benefits.** If Mr. Morrison elects not to participate in the Company's health insurance plan, the Company shall pay to Mr. Morrison, on a monthly basis, an amount equal to the monthly premium payment the Company would pay to provide health insurance for Mr. Morrison and his family under the Company's health insurance plan. Such amount shall be paid in accordance with the Company's usual payroll.
- **Life Insurance.** The Company shall pay for and provide to Mr. Morrison a ten-year term life insurance policy with a death benefit in the amount of \$3,000,000, insuring the life of Mr. Morrison as the insured thereunder.
- **Disability Insurance.** The Company shall pay for and provide to Mr. Morrison a disability insurance policy in the highest amount for which Mr. Morrison is able to qualify in accordance with the underwriting requirements of the insurer issuing the disability insurance policy.

In addition, the Addendum provides that the Company shall grant to Mr. Morrison that number of additional non-qualified common stock share purchase options (the "Additional Options"), having a value of \$100,000 as of the Addendum Effective Date, as determined in accordance with the Black-Scholes method of valuation, with a duration of five (5) years, pursuant to the Company's 2006 Stock Incentive Plan. The Company has issued a total of 1,194,743 Additional Options, each exercisable at an exercise price of \$0.12 per share. One-third of the Additional Options shall vest as of the Addendum Effective Date, one-third of the Additional Options shall vest on the first anniversary of the Addendum Effective Date, and the final one-third of the Additional Options shall vest on the second anniversary of the Addendum Effective Date.

2012 Bonus Plan

In August 2012, the Company replaced the 2010-2011 Bonus Plan with the 2012 Bonus Plan, for the purpose of retaining and providing an incentive to certain key employees involved in the recapitalization of the Company, the construction of the new leach pads, and the restart of mining operations at the Johnson Camp Mine. The 2012 Bonus Plan does not include potential bonus payments to our Chief Executive Officer which are outlined in his employment agreement. Should all of these milestones be achieved in accordance with the 2012 Bonus Plan, a total of \$461,000 would be paid out to the participants. As of December 31, 2012, no amounts were payable under this Plan.

Royalty Obligations

Arimetco

Copper metal produced from the Johnson Camp Mine is subject to a \$0.02 per pound royalty payable to Arimetco when copper prices are in excess of \$1.00 per pound. The royalty is capped at an aggregate of \$1,000,000. During 2012 and 2011, the Company accrued royalty expense of \$45,140 and \$71,643, respectively, and made payments thereon of \$36,250 and 105,000, respectively. As of December 31, 2012, the Company has incurred and paid a total of \$521,294 and \$393,231, respectively, under this commitment. Accordingly, the total amount accrued under this obligation as of December 31, 2012 is \$128,063 and is included within accounts payable on the consolidated balance sheet.

Royal Gold

During March 2009, the Company sold a 2.5% royalty on the mineral production sold from the existing mineral rights at Johnson Camp to International Royalty Corporation, acting through its subsidiary, IRC Nevada Inc. (currently Royal Gold), for net proceeds of approximately \$4,950,000. This amount was recorded on the consolidated balance sheet as deferred revenue and is being amortized to revenue over the life of the mine based on a units of production method basis. During 2012 and 2011, the Company recognized \$29,749 and \$45,948 in related royalty income, accrued \$203,427 and \$361,069 in royalty expense, and made payments thereon of \$15,000 and \$195,000, respectively. Accordingly, the total amount accrued under this obligation as of December 31, 2012 and 2011 is \$1,350,182 and \$1,161,755, respectively, and is included within accounts payable on the consolidated balance sheets.

Under the terms of the related agreement, amounts that are not paid to Royal Gold in accordance thereof, accrue interest at an annual rate of 12%. Accordingly, as of December 31, 2012 and 2011, included in accrued interest on the consolidated balance sheet is \$247,042 and \$110,269, respectively.

Letters of Credit

As part of its ongoing business and operations, the Company is required to provide bank letters of credit as financial support for various purposes, including environmental reclamation and other general corporate purposes. As of December 31, 2012 and 2011, there was \$686,476 of outstanding letters of credit. The letters of credit reflect fair value as a condition of their underlying purpose and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As the specific requirements are met, the beneficiary of the associated instrument cancels and/or returns the instrument to the Company. Certain of these instruments are associated with operating sites with long lived assets and will remain outstanding until closure. The letters of credit are collateralized by \$686,476 of held to maturity CDs included in restricted cash and marketable securities on the consolidated balance sheets as of December 31, 2012 and 2011.

19. LITIGATION

Other than as set forth below, as of December 31, 2012, the Company knows of no material, existing or pending legal proceedings against the Company, nor is the Company involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of the Company's directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest. Except as discussed below, the outcome of open unresolved legal proceedings is presently indeterminable. Therefore, except as noted below, any settlement resulting from the resolution of these contingencies will be accounted for in the period of settlement. The Company does not believe the potential outcome from any legal proceedings that remain unresolved will significantly impact its financial position, results of operations or cash flows. Furthermore, it is the Company's policy to accrue for the legal expenses associated with contingencies as the expenses are incurred.

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

On September 7, 2002, the ADEQ issued a Compliance Order requiring the Company to bring the Johnson Camp Mine into compliance with Arizona's aquifer protection laws. Pursuant to the Compliance Order, the Company entered into a stipulated judgment with the ADEQ which assessed civil penalties in the amount of \$4,325,000. The stipulated judgment could only be entered should a default notice issued pursuant to the Compliance Order not be cured within 45 days after notice was received. The Compliance Order further provided that any future violations of Arizona's aquifer protection laws would subject the Company to additional civil penalties, including the entry of the stipulated judgment and the assessment of the civil penalties described in the stipulated judgment.

On August 15, 2007, the ADEQ declared that all components necessary for the Company's APP application were received by the ADEQ, at which time the ADEQ commenced its substantive technical review process.

The ADEQ issued a Notice of Violation dated June 26, 2008 concerning alleged violations of the APP Program and indicating that certain violations constituted non compliance with the Compliance Order. The Company timely responded to the Notice of Violation by submittal dated August 7, 2008, indicating that no such violations occurred. In addition, the Company performed certain remedial type actions with respect to various areas referenced in the ADEQ's Notice of Violation. The ADEQ responded, indicating that it was not completely satisfied with the Company's position and response. The parties conferred and the Company submitted additional information dated January 15, 2009 in accordance with the parties' discussions. On March 26, 2009 ADEQ issued a letter to the Company indicating that the documenting compliance requirements of the Notice of Violation had been met.

On October 19, 2010, the Company was issued an APP for the Johnson Camp Mine property.

In November 2010, the Company and ADEQ reached an agreement to settle all unresolved issues resulting from the previously issued Notice of Violation for a penalty of \$65,000 and the Company's completion of several monitoring wells and the installation of a drinking water system under a definitive schedule. These improvements were completed in June of 2011 at a cost of approximately \$400,000. In conjunction with this settlement, ADEQ also agreed to the termination of the outstanding Compliance Order. A Consent Judgment in Superior Court reflecting these key provisions and resolving these matters has been finalized and agreed to by the parties, and was formally entered into in February 2011. During the year ended December 31, 2012, the Company made payments totaling \$16,250. As of December 31, 2012, there was no balance due liability.

In December 2011, the Company received notification from the ADEQ that it has granted a significant amendment to the APP. Receipt of the APP is subject to fulfilling certain standard conditions - in particular that the Company make payments to the ADEQ of all fees for the application review and that the Company submit an updated Financial Assurance Mechanism for an additional \$575,000. The Company plans to finance this as part of the funding to build the new leaching pad, if such funding becomes available. Upon its issuance, the revised APP will supersede the APP issued in October 2010.

20. RELATED PARTY TRANSACTIONS

During 2012 and 2011, the Company incurred \$0 and \$4,500, respectively, for consulting services rendered by Mr. John Cook, a Director of the Company, related to mining plans for the Johnson Camp Mine.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Disclosures about fair value of financial instruments for the Company's financial instruments are presented in the table below. These calculations are subjective in nature and involve uncertainties and significant matters of judgment and do not include income tax considerations. Therefore, the results may not be indicative of the amounts realized in actual sale or settlement of the instruments. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used could significantly affect the results.

The following table presents a summary of the Company's financial instruments as of December 31, 2012:

	Carrying Amount	Estimated Fair Value
Financial Assets:		
Cash and cash equivalents	\$ 11,863	\$ 11,863
Accounts receivable	24,795	24,795
Restricted marketable securities	686,476	686,476
Financial Liabilities:		
Accounts payable	4,490,509	***
Accrued expenses	1,845,712	***
Accrued interest	8,478,396	***
Copper derivatives settlement payable	16,106,691	***
Current maturity of long-term debt	6,183,499	***
Senior long-term debt	23,257,826	***
Other current liabilities	379,194	***

The carrying amounts for cash and cash equivalents, accounts receivable and restricted marketable securities approximate fair value because of the short maturities of these financial instruments.

*** Given the current situation with the Company's senior lender and the related default of the underlying Credit Agreement, as amended, the Company does not believe that an estimate of the fair value of its senior long-term debt can be made without incurring substantial time and resources. Accordingly, an estimate of the fair value of its senior long-term debt as of December 31, 2012 is considered impracticable. In addition, due the current situation with the Company's senior lender and the impact this situation may have on the remaining liabilities of the Company, an estimate of the fair value of accounts payable, accrued expenses, accrued interest, copper derivatives settlement payable, long-term debt, and other current liabilities as of December 31, 2012 is also considered impracticable.

22. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments, marketable securities, accounts receivable, and derivatives. The Company places its cash and marketable securities with high quality financial institutions and limits its credit exposure with any one financial institution. At times, the Company's bank account balances may exceed federally insured limits. As of December 31, 2012 and 2011, 0% and 95%, respectively, of the Company's total accounts receivable were from one customer to whom 100% of the Company's copper production is sold.

The Company neither deposited nor holds any collateral related to its derivative financial instruments. In addition, to date, the Company has not required any of its counterparties or customers to post collateral.

23. NON CASH INVESTING AND FINANCING ACTIVITIES

Supplemental Disclosure of Non-cash Investing and Financing Activities as of December 31, 2012 and 2011:

	2012	2011
Common stock issued in exchange for deferred stock units	\$ 3,110	\$ 2,804
Capitalization of asset retirement obligation	-	(1,112,771)
Change in depreciation expense allocated to inventories	(89,721)	(162,794)
Change in depreciation expense allocated to stockpiles and ore on leach pads	(189,263)	(274,519)
Change in property and equipment financed by accounts payable	(79,401)	(208,061)
	-	829,768

Reclassification of amounts paid on accrued interest to copper derivatives
settlement payable

Common stock issued for settlement of accounts payable	-	11,538
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24. SUBSEQUENT EVENTS

In January 2013, the Company entered into a cathode sales agreement (the Sales Agreement) effective January 1, 2013, with Red Kite Master Fund Limited (Red Kite) for 100% of the copper cathode production from the Johnson Camp Mine, given the expiry of the long term copper cathode sales agreement between the parties that was in place from February 1, 2008 through December 31, 2012. The Sales Agreement runs through March 31, 2013 with renewable extensions by mutual agreement of both parties. Pursuant to the Sales Agreement, Red Kite will accept delivery of the cathodes at the Johnson Camp Mine, and pricing will be based on the COMEX price for high-grade copper on the date of sale.

On March 20, 2013, the Company entered into an amending agreement with Red Kite with respect to the above-referenced Sales Agreement, which extended the term of such agreement from March 31, 2013 until June 30, 2013. As per the original terms of the Sales Agreement, the Sales Agreement may be renewed by mutual agreement of both parties.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NORD RESOURCES CORPORATION

By: /s/ Ronald A. Hirsch
Ronald A. Hirsch
Chairman of the Board of Directors
Date: March 27, 2013

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Wayne M. Morrison
Wayne M. Morrison
(Principal Executive Officer)
Chief Executive and Chief Financial
Officer
Date: March 27, 2013

By: /s/ Ronald A. Hirsch
Ronald A. Hirsch
Chairman of the Board of Directors
Date: March 27, 2013

By: /s/ Stephen Seymour
Stephen Seymour
Director
Date: March 27, 2013

By: /s/ Douglas P. Hamilton
Douglas P. Hamilton
Director
Date: March 27, 2013

By: /s/ John F. Cook
John F. Cook
Director
Date: March 27, 2013