NORD RESOURCES CORP
Form 10QSB/A
August 23, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB/A

Amendment No. 2

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

for the quarterly period ended **March 31, 2006**

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

for the transition period from _______________ to _______________

Commission File Number: **0-26407**

NORD RESOURCES CORPORATION

(Name of small business issuer in its charter)

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

(520) 292-0266
Issuer's telephone number

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. **33,883,043 shares of common stock as of July 15, 2006.**

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

NORD RESOURCES CORPORATION

Quarterly Report On Form 10-QSB/A
For The Quarterly Period Ended
March 31, 2006

INDEX

EXPLANATORY NOTE

This amendment to our quarterly report on Form 10-QSB is being filed in response to guidance that we have received from staff at the Securities and Exchange Commission. The key revisions that are included in this amendment consist of: (a) the addition of disclosure to the unaudited condensed consolidated statement of cash flows for the three months ended March 31, 2006, and to note 1 to the unaudited condensed consolidated financial statements for the quarter, to reflect the fact that we have restated the consolidated statement of cash flows for that period to properly reflect proceeds from sales of securities held for trading as a component of cash flows from operating activities, rather than as a component of cash flows from investing activities as originally stated; (b) revisions to note 5 of the unaudited condensed consolidated financial statements for the quarter to disclose that our adoption of the provisions of SFAS No.154 on December 31, 2005, has resulted in the reclassification of $1,322,150 related to proceeds from sales of securities held for trading as cash flow from operating activities rather than as cash flow from investing activities; (c) the inclusion of a new risk factor under the heading Risk Factors Risks Related to Our Company relating to the variability in copper mineralogy we have found within our reserves, and to discuss the implications of these uncertainties on projected metallurgical recovery of copper; and (d) the disclosure under the heading Controls and Procedures has been revised to clarify the material weaknesses we have identified in our internal controls.

In light of the recent increase and extension of our secured loan from Nedbank Limited, and our recent settlement agreement with Titanium Resources Group, we have also updated the disclosure under the

headings Management s Discussion and Analysis Liquidity and Financial Resources and Management s Discussion and Analysis Cash and Working Capital, and revised the list of Exhibits incorporated by reference into this quarterly report to include the material agreements referred to in the updated disclosure. In addition, we have revised the disclosure under the heading Controls and Procedures to reflect the recent resignation of Mr. Nick Tintor as our President and Chief Executive Officer, and the appointment of Erland A. Anderson as our interim President and Chief Executive Officer.

All other financial and other information in the originally filed Form 10-QSB for the reported periods, including the unaudited condensed consolidated financial statements, remain unchanged.

Except where specifically noted to the contrary, this Form 10-QSB/A does not reflect events occurring after the filing of the original Form 10-QSB, or modify or update the disclosure therein in any way other than as required to reflect the amendments set forth herein. Pursuant to SEC rules, included as Exhibits 31.1, 31.2, 32.1 and 32.2 to this Form 10-QSB/A are currently dated certifications of our company s Chief Executive Officer and Chief Financial Officer.

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-QSB contains forward-looking statements. These forward-looking statements involve risks and uncertainties, including statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding the market price of copper, availability of funds, government regulations, common share prices, operating costs, capital costs, outcomes of ore reserve development and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may , will , should , expect , plan , intend , anticipate , believe , estimate , predict , potential or continu terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined in our annual report on Form 10-KSB for the year ended December 31, 2005, this quarterly report on Form 10-QSB, and, from time to time, in other reports we file with the Securities and Exchange Commission (the SEC). These factors may cause our actual results to differ materially from any forward-looking statement. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2006
(Unaudited)

ASSETS		
Current Assets:		
Cash and cash equivalents	$	621,746
Restricted cash		-
Marketable securities held for trading		358,842
Notes receivable, related entity		25,000
Financial instruments		3,185
Debt issuance costs, net of accumulated amortization		92,931
Prepaid expenses and other		139,010
Total Current Assets		1,240,714
Property and Equipment, at cost:		
Property and equipment		3,892,503
Less accumulated depreciation and amortization		(1,274,333)
Net Property and Equipment		2,618,170
Other Assets:		
Deferred offering costs		267,239
Total Other Assets		267,239
Total Assets	$	4,126,123

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

F-1

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2006
(Unaudited)
(Continued)

LIABILITIES AND STOCKHOLDERS DEFICIT	
Current Liabilities:	
Accounts payable	$ 1,059,503
Accrued expenses	1,359,054
Current maturities of long-term debt	4,613,354
Current maturity of capital lease obligation	18,750
Total Current Liabilities	7,050,661
Long-Term Liabilities:	
Capital lease obligation, less current maturity	26,563
Accrued reclamation costs	169,472
Total Long-Term Liabilities	196,035
Total Liabilities	7,246,696
Commitments and contingencies	
Stockholders Deficit:	
Common stock: $.01 par value, 50,000,000 shares authorized, 33,573,043 shares issued and outstanding	335,731
Additional paid-in capital	84,778,265
Accumulated deficit	(88,234,569)
Total Stockholders Deficit	(3,120,573)
Total Liabilities and Stockholders Deficit	$ 4,126,123

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

F-2

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(Unaudited)

	2006	2005
Net sales	$ -	$ -
Operating expenses	1,497,077	554,611
Depreciation, depletion and amortization	20,837	20,837
Loss from operations	(1,517,914)	(575,448)
Other income (expense):		
Interest expense	(667,447)	(171,256)
Gain on investments, net	73,759	-
Miscellaneous income	55,816	33,435
Total other income (expense)	(537,872)	(137,821)
Loss before income taxes	(2,055,786)	(713,269)
Provision for income taxes	-	-
Net loss	$ (2,055,786)	$ (713,269)
Net Loss Per Basic and Diluted Share of Common Stock:		
Weighted Average Number of Common Shares Outstanding	32,839,805	26,729,857
Net loss per share of common stock	$ (0.06)	$ (0.03)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN STOCKHOLDERS DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2006
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Deficit
Balance at December 31, 2005	30,425,975	$ 304,260	$ 84,131,966	$ (86,178,783)	$ (1,742,557)
Comprehensive loss:					
Net loss	-	-	-	(2,055,786)	(2,055,786)
Comprehensive loss					(2,055,786)
Common stock and stock options issued for Coyote Springs	83,844	838	65,159	-	65,997
Common stock issued to settle outstanding claims	46,753	468	36,456	-	36,924
Exercise of stock options	2,700,000	27,000	27,000	-	54,000
Compensation expense from issuance of stock options	-	-	256,202	-	256,202
Common stock issued in private placement	80,000	800	27,200	-	28,000
Warrants issued in connection with bridge loan	-	-	87,032	-	87,032
Common stock issued for services	236,471	2,365	147,250	-	149,615
Balance at March 31, 2006	33,573,043	$ 335,731	$ 84,778,265	$ (88,234,569)	$ (3,120,573)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(Unaudited)

	As Restated 2006	2005
Cash Flows From Operating Activities:		
Net loss	$ (2,055,786)	$ (713,269)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	20,837	20,837
Accretion expense on reclamation costs	3,992	3,698
Amortization of debt issuance costs	278,795	60,343
Accretion of discount on debt	279,055	-
Stock option mark to market adjustment	26,250	-
Copper put options mark to market adjustment	139,553	-
Issuance of common stock for services rendered	149,615	15,428
Issuance of stock options for services rendered	229,952	-
Realized gain on sale of securities held for trading	(213,312)	-
Proceeds from sale of securities held for trading	1,322,150	-
Beneficial conversion feature recorded as interest expense	1,722	30,750
Changes in assets and liabilities:		
Prepaid expenses and other	(124,797)	(69,786)
Accounts payable	128,779	64,558
Accrued expenses	243,810	111,483
Net Cash Provided (Used) By Operating Activities	430,615	(475,958)
Cash Flows From Investing Activities:		
Decrease in restricted cash	126,063	-
Purchase of copper put options	(56,252)	-
Capital expenditures	(31,949)	-
Net Cash Provided By Investing Activities	37,862	-
Cash Flows From Financing Activities:		
Deferred offering costs	(65,241)	-
Principal payments on notes payable	-	(8,057)
Principal payments on capital leases	(4,687)	(6,250)
Proceeds from issuance of common stock	82,000	-
Net Cash Provided (Used) By Financing Activities	12,072	(14,307)
Net Increase (Decrease) in Cash and Cash Equivalents	480,549	(490,265)
Cash and Cash Equivalents at Beginning of Period	141,197	665,828
Cash and Cash Equivalents at End of Period	$ 621,746	$ 175,563

Supplemental Disclosure of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	100,664	$	70,877
Income taxes		-		-
Supplemental Disclosure of Non-cash Investing and Financing Activities:				
Common stock issued for purchase of property	$	29,010	$	22,500
Stock options issued for purchase of property		36,987		-
Decrease in fair value of available for sale securities		-		(90,728)
Warrants issued in connection with bridge loan		87,032		-
Common stock issued for settlement of accounts payable		36,924		-

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

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

1. FINANCIAL STATEMENTS

The accompanying financial information of Nord Resources Corporation (the “Company”) is prepared in accordance with the rules prescribed for filing condensed interim financial statements and, accordingly, does not include all disclosures that may be necessary for complete financial statements prepared in accordance with U.S. generally accepted accounting principles. The disclosures presented are sufficient, in management’s opinion, to make the interim information presented not misleading. All adjustments, consisting of normal recurring adjustments, which are necessary so as to make the interim information not misleading, have been made. Results of operations for the three months ended March 31, 2006 are not necessarily indicative of results of operations that may be expected for the year ending December, 31, 2006. The Company recommends that this financial information be read in conjunction with the complete financial statements included in the Company’s Annual Report on Form 10-KSB for the year ended December 31, 2005 , and the amendments thereto , previously filed with the Securities and Exchange Commission.

Restatement of Financial Statements

The Company has restated its consolidated statement of cash flows for the three months ended March 31, 2006 to properly reflect its proceeds from sales of securities held for trading as a component of cash flows from operating activities, rather than as a component of cash flows from investing activities as originally stated. The reclassification of cash flows from sales of securities held for trading in the amount of $1,322,150 resulted in an increase in cash flows from operating activities and a decrease in cash flows from investing activities as presented below. This restatement had no impact on the consolidated balance sheet, statement of operations or statement of changes in stockholders’ deficit.

The following table represents the changes to the totals on the statement of cash flows:

	As Originally Reported		As Restated	
Net cash provided (used) by operating activities	$	(891,535)	$	430,615
Net cash provided by investing activities	$	1,360,012	$	37,862

2. BASIS OF PRESENTATION

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

Management s plans include the following:

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

2. Taking over and expanding the existing decorative and structural stone operation on the Johnson Camp property. The Company’s current lease arrangements with JC Rock, LLC expires September 30, 2006, and the Company plans to renew the contract on a short term basis until it is ready to take over the operation.

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

The Company s plans to reopen the Johnson Camp Mine, take over the decorative and structural stone operation, and to undertake preliminary exploration of the Coyote Springs and Mimbres properties are contingent on the Company raising sufficient financing. Such financing, if available, is expected to come

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

from a combination of equity and debt financing, and the potential exercise of outstanding common stock purchase warrants and options.

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

3. STOCK-BASED COMPENSATION

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

There were no stock option grants to employees of the Company during the three months ended March 31, 2005. Therefore, if the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under its stock-based compensation plans consistent with the methodology prescribed by SFAS No. 123(R) the Company's net loss and loss per share would remain unchanged.

All stock options granted prior to January 1, 2006 were completely vested as of that date and had therefore been expensed in accordance with APB No. 25, or the original provisions of SFAS No. 123, as appropriate. During the three months ended March 31, 2006 the Company granted 675,000 stock options to employees for which $229,952 in compensation expense was recognized.

Consistent with the valuation method utilized by the Company under SFAS No. 123R, the Company is using the Black – Scholes option pricing model to estimate the fair value of stock options granted. Stock options granted during the three months ended March 31, 2006 vested at the time of issuance; therefore, the expected forfeitures are estimated to be 0%. The expected term of the options granted is also based upon historical data. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant. Expected volatility is based upon the historical volatility of the Company's common stock. The following assumptions were used to estimate the fair value of stock options granted during the three months ended March 31, 2006:

Risk-free interest rate	4.5%
Expected forfeitures	0%
Expected volatility	101%
Expected dividend yield	0%
Expected life	4.7 years

The Company has granted incentive and non-qualified stock options to its employees and directors under the terms of its 1991 stock option plan. The Company has also granted non-qualified, non-plan stock options, which have been authorized by the Company's board of directors. All outstanding options are vested as of March 31, 2006.

A summary of the Company's stock option activity for the three months ended March 31, 2006 is set forth below:

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

	Number of Shares	Weighted Average Exercise Price
Options outstanding at January 1, 2006	4,739,999	$0.25
Granted	774,999	0.50
Exercised	(2,700,000)	0.02
Cancelled	(675,000)	0.02
Options outstanding at March 31, 2006	2,139,998	$0.69

The stock options outstanding at March 31, 2006 are all non-qualified, non-plan stock options.

During June 2004, Ronald Hirsch, Chairman of the board of directors and former Chief Executive Officer, exercised 1,750,000 stock options at an exercise price of $35,000. Subsequently, during June 2005, Mr. Hirsch and the Company agreed to rescind this stock option exercise. In exchange for the $35,000 that was paid to exercise the stock options, the Company issued Mr. Hirsch a convertible promissory note for $35,000 and cancelled the related 1,750,000 shares of common stock. The promissory note bears interest at 10.0% per annum and is convertible on the maturity date of January 1, 2006 into common stock at a conversion rate of $.175 per share. This promissory note contains a beneficial conversion feature of $25,000 that will be amortized over the life of the loan as interest expense.

In connection with this rescission, on April 4, 2005, the Company granted a new stock option for the purchase of 1,750,000 common shares at an exercise price of $.02 per share. As a result of this transaction, the Company recognized approximately $490,000 of compensation expense on the grant date of the option. The stock option has a five year term and will be accounted for under the variable method of accounting until the earlier of the exercise or expiration of the option. During 2005 the Company recognized compensation expense of $455,000 related to these stock options. In January 2006, Mr. Hirsch exercised the 1,750,000 stock options for which the Company received $35,000 in gross proceeds. In connection with the exercise the Company recognized an additional $26,250 in compensation expense.

Other Stock Based Compensation Information

The following table summarizes information about the Company's non-qualified, non-plan stock options at March 31, 2006:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.02	15,000	2.6	$ 0.02	15,000	$ 0.02
0.20 - 0.60	1,874,998	4.2	0.43	1,874,998	0.43
1.75 2.00	100,000	2.5	1.88	100,000	1.88
3.25	150,000	1.2	3.25	150,000	3.25

$0.02	3.25	2,139,998	3.9	$	0.69	2,139,998	$	0.69

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

The weighted average fair value of options granted during the three months ended March 31, 2006 was $.34.

Compensation Expense

The Company issued 236,471 shares of common stock to employees of the Company valued at $149,615 during the three months ended March 31, 2006. The weighted average grant date fair value of common stock issued to employees during the three months ended March 31, 2006 was $.63.

4. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding adjusted for the dilutive effect, if any, of stock options, warrants and other dilutive securities outstanding. Outstanding options, warrants and other dilutive securities to purchase 8,232,725 and 3,357,249 shares of common stock for the three months ended March 31, 2006 and 2005, respectively, are not included in the computation of diluted loss per share as the effect of the assumed exercise of these options and warrants would be antidilutive.

5. RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

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

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

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3”. SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principles, unless it is impracticable to determine either the period - specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in non-discretionary profit sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS No. 154 also requires that a change in depreciation, amortization, or depletion method for long - lived non - financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. The Company adopted the provisions of SFAS No.154 on December 31, 2005, which had the following impact on the Company’s consolidated financial statements:

- Reclassification of $1,322,150 related to proceeds from sales of securities held for trading which was originally reported as cash flow from investing activities and is currently reported as cash flow from operating activities.

Item 2. Management s Discussion and Analysis

The following discussion of our financial condition, changes in financial condition and results of operations for the three months ended March 31, 2006 should be read in conjunction with our unaudited consolidated interim financial statements and related notes for the three months ended March 31, 2006.

The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth below under the heading Risk Factors .

Overview of Our Business

The Johnson Camp Property

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

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

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

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

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

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

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

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

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

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

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

We believe the resumption of mining activities at the Johnson Camp mine is warranted based on the recent increase in the market price of copper. The market for copper is cyclical and over the last fifteen years the price of copper has fluctuated between $0.60 and $3.98 per pound. In its most recent cycle the price fell to a low of $0.62 per pound in 1999, due primarily to increased supply with the commissioning of several new mines while demand decreased, largely due to a reduction of consumption in Asia. Although there has recently been a slight decline in the price of copper over the last several weeks, it remains relatively high: the average price of copper was $3.65 per pound in May 2006 (as reported by the London Metal Exchange). This increase in the price of copper since 1999 is due to an increase in worldwide demand for copper. We believe that the strengthening market for copper has created an opportunity for us to reactivate the Johnson Camp Mine, despite the anticipated high costs that this will involve. However, we caution investors that the market price for copper has historically been cyclical and there is a significant risk that copper prices will not remain at current high levels.

Options to Acquire Interests in Other Properties

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

Proposed Landscape and Aggregate Rock Operation

In addition to reactivating the Johnson Camp Mine, we are also planning on expanding the existing decorative and structural stone operation on the Johnson Camp property. We set up our subsidiary, Cochise Aggregates and Materials, Inc. to produce and market landscape and aggregate rocks derived from overburden piles on the Johnson Camp property. However, we are currently leasing this landscape and aggregate rock operation to JC Rock, LLC. Our current contract expires September 30, 2006, and we plan to renew the contract on a short term basis until we are ready to take over the operation. JC Rock has the right to remove the landscape and aggregate rock from the Johnson Camp property and pays us a royalty of $1.50 per ton, subject to reduction to $1.00 per ton where the wholesale price realized by JC Rock upon resale is less than $6.00 per ton. Through Cochise Aggregates and Materials Inc., we plan on taking over this landscape and aggregate rock operation from JC Rock within the first year of bringing the Johnson Camp Mine into operation.

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

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

We are planning on building a new screening plant or buying the existing screening plant from JC Rock. We expect to incur initial capital costs of approximately $500,000 to acquire the screening plant, and an additional $100,000 in installation costs if we do not buy the existing screening plant from JC Rock. In addition, we must obtain an air quality permit from the Arizona Department of Environmental Quality (ADEQ) for the screening plant, whether we build a new screening plant or buy the existing one.

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

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

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

Our Plan of Operations

Our plan of operations is to pursue the financing that will be necessary to enable us to resume mining and leaching operations at the Johnson Camp Mine, with the view to producing approximately 25 million pounds of copper per year. If we are successful in raising this financing, we plan to complete the mine development plan outlined in the updated feasibility study prepared by Winters, Dorsey & Company.

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

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

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

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

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

For a detailed description of our business objectives, our history and background and our property, please see Amendment No. 2 to our annual report on Form 10-KSB/A for the year ended December 31, 2005 under the headings Description of Business and Description of Property .

Results Of Operations Three Months Ended March 31, 2006 and 2005

The following table sets forth our operating results for the three months ended March 31, 2006, as compared with our operating results for the three months ended March 31, 2005.

	THREE MONTHS ENDED		
	March 31, 2006 (unaudited)	**March 31, 2005** (unaudited)	**Change (Increase/ Decrease)** (unaudited)
Net sales	$ -	$ -	$ -
Operating expenses	1,497,077	554,611	942,466
Depreciation, depletion and amortization	20,837	20,837	-
Loss from operations	(1,517,914)	(575,448)	(942,466)
Other income (expense):			
Interest expense	(667,447)	(171,256)	(496,191)
Gain on investments, net	73,759	-	73,759
Miscellaneous income	55,816	33,435	22,381
Total other income (expense)	(537,872)	(137,821)	(400,051)
Loss before income taxes	(2,055,786)	(713,269)	(1,342,517)
Provision for income taxes	-	-	-
Net Loss	$ (2,055,786)	$ (713,269)	$ (1,342,517)
Net Loss Per Basic and Diluted Share of Common Stock:			
Weighted Average Number of Common Shares			
Outstanding	32,839,805	28,336,135	
Net loss per share of common stock	$ (0.06)	$ (0.03)	

Our principal focus during the three months ended March 31, 2005 was the preservation of our principal asset, the Johnson Camp property, which we acquired in June 1999. During the first quarter of 2006, we have continued to maintain the Johnson Camp Mine, and have focused on the following activities with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp mine into production:

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

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

Net Sales

We did not have any sales during the three months ended March 31, 2006 and 2005 due to the fact that the Johnson Camp Mine was on a care and maintenance program during these periods.

Operating Expenses

Our operating expenses increased from $554,611 for the three months ended March 31, 2005 to $1,497,077 for the three months ended March 31, 2006. This increase was due primarily to a $497,527 increase in professional fees related to the preparation of our recent SEC filings under the Exchange Act, and other activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production. We also experienced a $384,949 increase in employment costs due primarily to the cancellation of stock options with an exercise price of $0.02 per common share, and the subsequent grant of the same number of replacement stock options at an exercise price of $0.50 per common share to one of our officers and employee stock compensation in conjunction with the hiring of our new Chief Executive Officer.

Depreciation, Depletion and Amortization

Our depreciation and amortization expense of $20,837 remained the same for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005.

Interest Expense

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

Interest expense increased $496,191 for the three months ended March 31, 2006 compared to the three months ended March 31, 2005. This increase was due primarily to the $278,795 and $279,055 amortization of debt issuance costs and accretion of expenses related to the issuance of warrants in conjunction with the bridge loan from Nedbank Limited and the revolving line of credit from related parties, respectively.

Gain on Investment and Miscellaneous Income/Expense

During the three months ended March 31, 2006 we recognized a gain of $213,312 on our investment in Allied Gold which was partially offset by a $139,553 decline in the value of the copper put options we purchased in conjunction with the bridge loan from Nedbank Limited.

Miscellaneous income is primarily attributable to royalty income that we earn from our landscape aggregate business. Royalty income represents amounts that we are paid by a third party contractor who has the contractual right to remove waste rock from the Johnson Camp property for use in the landscape aggregate business. We experienced an increase of $15,586 during the first quarter of 2006 as compared to the first quarter of 2005 due to the increased volume of waste rock removed from the Johnson Camp property.

Miscellaneous income increased by more than sixty-six percent for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005. The difference was primarily due to an increase in rock royalties from the removal of waste rock at the Johnson Camp property.

Net Loss

Our net loss increased significantly for the three months ended March 31, 2006 as compared to the three months ended March 31, 2005 as a result of:

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

Liquidity and Financial Resources

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

Our care and maintenance activities at the Johnson Camp Mine and working capital needs during the three months ended March 31, 2006 were funded from a portion of the $1,322,150 in gross proceeds we received from the sale of a portion of our investment in Allied Gold. During the first quarter of 2006 we sold 3,981,000 common shares of Allied Gold over the facilities of the Australian Stock Exchange for net proceeds of $1,288,236.

During May 2006 we negotiated an extension of the maturity date on the $3,900,000 secured bridge loan from Nedbank Limited to the earlier of August 15, 2006 or the closing of an equity offering in which we raise not less than $20,000,000. In connection with this extension we agreed to an increase in the interest rate on the loan from 9% to 10% per annum, and paid a $39,000 fee to Nedbank. We also issued a total of 100,000 warrants exercisable no later than May 15, 2008, of which 75,000 were issued to Nedbank and 25,000 were issued to Auramet. Each warrant entitles the holder to purchase one share of our common stock for a period of two years, at an exercise price of $1.00, being an amount equal to the average of the closing price of our company’s common stock (as quoted on Pink Sheets LLC) for the twenty trading days prior to May 15, 2006.

At the same time, Auramet Trading, LLC, acting through Nedbank, advanced an additional $1,000,000 loan to our company which has been added to the outstanding principal under the secured bridge loan from Nedbank. Auramet had participated in the original bridge loan through the contribution of a then outstanding loan of from Auramet to our company in the amount of $1,000,000, dated October 17, 2005. In consideration of the additional loan advance, we paid to Auramet out of the loan proceeds the sum of $40,000, and issued to Auramet warrants for the purchase of 250,000 shares of our company’s common stock, exercisable for a period of two years at an exercise price of $1.15 per share.

Additionally, we extended the maturity date under the $600,000 revolving line of credit agreement with Ronald Hirsch and Stephen Seymour to the earlier of August 15, 2006 or the closing of an equity offering in which we raise not less than $20,000,000.

We have recently negotiated further extensions of the maturity dates of the secured $4,900,000 bridge loan and the $600,000 revolving line of credit facility to the earlier of September 30, 2006 or the closing of an equity offering in which we raise not less than $20,000,000.

During 2004, we issued a convertible promissory note to Stephen Seymour in the principal amount of $66,000, and two convertible promissory notes to Ronald Hirsch in the principal amounts of $106,000 and $35,000, respectively. The loans evidenced by these convertible notes accrue interest at 10% per annum, are unsecured, and also have been extended to mature on the earlier of September 30, 2006, or the closing of an equity offering in which our company raises at least $25 million, unless converted in accordance with their terms.

Cash and Working Capital

The following table sets forth our cash and working capital deficiency as of June 30, 2006 (unaudited) and March 31, 2006 (unaudited):

	As of June 30, 2006	**As of March 31, 2006**
Cash reserves	$860,321	$621,746
Working capital deficiency	$(7,111,453)[1]	$(5,809,947)[2]

(1) Includes $5,654,958 in current portion of long-term debt.

(2) Includes $4,632,104 in current portion of long-term debt.

If we leave the Johnson Camp Mine on care and maintenance status, and we do not incur any extraordinary liabilities, we will incur monthly expenses of approximately $170,000. As discussed below under the heading Cash and Working Capital - Settlement Agreement with Titanium Resources Group, Ltd. we received $1,900,000 on August 10, 2006 pursuant to a settlement agreement with Titanium Resources Group, Ltd. This amount has been added to our working capital to be applied to ongoing operational expenses and expenses that we expect to incur in furtherance of our business plan.

We anticipate our current cash to be adequate to cover care and maintenance activities at the Johnson Camp Mine through August 2007, assuming that we are successful in obtaining extensions of, or refinancing, our outstanding indebtedness beyond their current maturities (which cannot be assured). However, it is difficult for us to predict how much of our current cash will be used to further our near term objective of reactivating the Johnson Camp Mine. Accordingly, our estimated monthly expenses do not include the significant additional costs that we anticipate that we will have to incur in connection with our ongoing financing activities, or any additional costs that we will have to incur if we proceed with our plan to reactivate the Johnson Camp Mine. As discussed above under the heading, Our Plan of

Operations, we expect to incur initial capital costs in excess of $22 million (including working capital) within the first two years of start-up, and a further $9 million (including working capital) in the following two years.

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

1. We had accrued expenses of $1,488,340 as of June 30, 2006 ($1,115,244 as of December 31, 2005). These accrued expenses consist primarily of consulting fees and accrued salaries for Ronald Hirsch, our Chairman and formerly our Chief Executive Officer, and Erland Anderson, our Executive Vice President and Chief Operating Officer, as well as payroll expenses.

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

scheduled payments until December 31, 2006, thus curing our default that existed under this promissory note.

Settlement Agreement with Titanium Resources Group, Ltd.

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

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

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

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

Cash Flows From Operating Activities

Our cash flows from operating activities during the three months ended March 31, 2006 and 2005 were $430,615 and $(475,958), respectively. The Johnson Camp Mine was on a care and maintenance program during these periods. Our cash flows from operating activities for the three months ended March 31, 2006 includes $1,322,150 in proceeds from the sale of a portion of our investment in Allied Gold.

Cash Flows From Investing Activities

Our cash flows from investing activities during the three months ended March 31, 2006 was $37,862, due primarily to release of restricted cash for the purchase of copper put options.

Cash Flows From Financing Activities

Our cash flows from financing activities during the three months ended March 31, 2006 was 2005 were $12,072 and $(14,307), respectively.

During the first quarter of 2006 2,700,000 stock options were exercised at an exercise price of $54,000. We also received $28,000 in proceeds during the quarter from the sale of 80,000 units pursuant to the private placement of equity securities that we commenced in September 2005. Additionally, we incurred $65,241 in deferred offering costs during the quarter, related to our efforts to finance the restart of the Johnson Camp mine.

Critical Accounting Policies And Estimates

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

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

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

Marketable Securities

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

Long-Lived Assets

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

Reclamation Costs

We adopted SFAS No. 143, Accounting for Asset Retirement Obligations, on January 1, 2003. Reclamation costs are thus allocated to expense over the life of the related assets and are adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

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

We estimated our asset retirement obligations using an expected cash flow approach, in which multiple cash flow scenarios were used to reflect a range of possible outcomes. We estimated the aggregate undiscounted obligation to be approximately $400,000 for the Johnson Camp Mine. To calculate the fair value of this obligation, the projected cash flows were discounted at our company s estimated credit-adjusted, risk free interest rate of 10%. At January 1, 2003, we estimated the fair value of our total asset retirement obligation in respect of the Johnson Camp Mine to be $124,534. We recorded the fair value of this obligation and the related asset as of January 1, 2003. The net difference between our company s previously recorded reclamation and closure cost liability and the amounts recorded under SFAS No. 143, after taxes, resulted in a gain of $151,323 for the year ended December 31, 2003, which was recognized as a cumulative effect of a change in accounting principle. At March 31, 2006, the recorded value of accrued reclamation costs was $169,472.

Income Taxes

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

Stock Based Compensation

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

All stock based payments granted prior to January 1, 2006 were completely vested as of that date and had therefore been expensed in accordance with APB No. 25, or the original provisions of SFAS No. 123, as appropriate. During the three months ended March 31, 2006, we granted 675,000 stock options to employees for which $229,952 in compensation expense was recognized.

Litigation

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

Recently Issued Accounting Guidance

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

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

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

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3 . SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principles, unless it is impracticable to determine either the period - specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle, such as a change in non-discretionary profit sharing payments resulting from an accounting change, should be recognized in the period of the accounting change. SFAS No. 154 also requires that a change in depreciation, amortization, or depletion method for long - lived non - financial assets be accounted for as a change in accounting estimate affected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. We adopted the provisions of SFAS No.154 on December 31, 2005, which had the following impact on our company s consolidated financial statements:

- Reclassification of $1,322,150 related to proceeds from sales of securities held for trading which was originally reported as cash flow from investing activities and is currently reported as cash flow from operating activities.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Controls and Procedures

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

Our company’s management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated 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 our company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of our company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our company’s assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Erland (Andy) A. Anderson, our Chief Operating Officer (and former President), has been appointed as our interim President and Chief Executive Officer to replace Mr. Tintor, who has resigned from his role as our President and Chief Executive Officer. Mr. Tintor was appointed as President and Chief Executive Officer pursuant to an agreement dated February 15, 2006. Under that agreement, Mr. Tintor agreed to voluntarily resign as our President and Chief Executive Officer if our company failed to receive at least $25 million in funding by August 31, 2006. Given current circumstances, it is clear that this level of funding will not be achieved by that date. Mr. Tintor has advised a director of our company that he does not wish to continue in the role of President and Chief Executive Officer. On August 21, 2006, our board of directors accepted Mr. Tintor’s resignation effective as of that date and appointed Mr. Anderson as our interim President and Chief Executive Officer. Mr. Tintor remains a director of our company.

Mr. Anderson and Mr. Perry have reviewed the effectiveness of our disclosure controls and procedures as of March 31, 2006 and have concluded that our company’s disclosure controls and procedures were not effective as of March 31, 2006, due to certain material weaknesses in internal control over financial reporting.

As defined in standards established by the Public Company Accounting Oversight Board (United States), a material weakness is a deficiency in internal control over financial reporting that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Our Chief Executive Officer and Chief Financial Officer identified the following material weaknesses with respect to our company's internal control over financial reporting: (a) in two instances, we incorrectly valued common stock issued in payment or settlement of certain contractual obligations using the issue date of such stock as opposed to the effective date of the transaction as specified in the related agreement; and (b) we had improperly recorded a signing bonus that we had paid to our Chief Executive Officer in common stock by failing to record, as compensation expense, the fair value of the stock grant on the execution date of the related employment agreement, and amortizing the value of the balance of the common stock issuable under the employment agreement over the subsequent 12 months over which they are to be earned. These problems were identified and corrected prior to the filing of our company's quarterly report on Form 10-QSB for the quarter ended March 31, 2006 with the SEC.

In order to address these material weaknesses, subsequent to the quarter ended March 31, 2006, we implemented a level of review by the Chief Financial Officer that will serve to ensure that transactions involving the issuance of common stock in exchange for services or property received by our company will be properly recorded in accordance with the terms of the related agreements. In addition, we have engaged a third party consulting firm to assist us with the estimation of the variables that are required to be calculated in connection with the valuation of stock option and warrant transactions in accordance with Statement of Financial Accounting Standards No. 123R, "Share Based Payment."

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

- the implementation of a purchase authorization and approval process which requires all payments to be approved by two of our senior officers;
- the implementation of a purchase requisition and purchase order process which requires all purchase orders to be approved by a senior officer;
- the segregation of financial transaction duties with respect to purchases, receipts and payments;
- dividing check reconciliation duties and check signing authority between different persons; and
- the addition of one individual to our accounting department.

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

PART II OTHER INFORMATION

RISK FACTORS

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

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

Risks Related to Our Company

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

We have a history of losses and expect to incur losses in the future. We had no revenues and losses of $3,084,166 for the year ended December 31, 2005, and additional losses of $3,521,229 during the six months ended June 30, 2006. As of June 30, 2006, we had a working capital deficiency of $7,111,453 (including $5,654,958 representing the current portion of our long-term debt). The Johnson Camp Mine produced copper during the 1975 to 2003 period, but we currently have no commercial production at the Johnson Camp Mine. Accordingly, we expect to continue to incur losses until such time as the Johnson Camp Mine enters into commercial production and generates sufficient revenues to fund our continuing operations. We cannot guarantee that we will successfully bring the Johnson Camp Mine or any of our other properties into commercial production or, if we do, that we will be able to generate sufficient revenues to fund our operations or achieve or sustain profitability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We are currently indebted to Nedbank Limited in the amount of $4,900,000. We have issued a secured promissory note to Nedbank Limited that has been amended so that it will now mature on the earlier of August 15, 2006 or the closing of an equity offering in which we raise not less than $20,000,000. We currently do not have the means to repay the note. In connection with bridge loan financing from Nedbank Limited in the total principal amount of $4,900,000, we have delivered a deed of trust, assignment of rents, security agreement and fixture filing that grants to Nedbank Limited a first priority lien encumbering all of the real and personal property associated with the Johnson Camp property, including patented mining claims, fee lands and unpatented mining claims. Nedbank Limited would be entitled to realize upon the security interest if we are unable to repay or refinance the loan as it becomes due and seize our assets. There is no assurance that we will be able to raise sufficient financing to repay this loan as it becomes due, or upon our ability to refinance the loan on acceptable terms, if at all. We have obtained credit approval from Nedbank Limited for a debt financing facility of up to $14 million for the reactivation of the Johnson Camp Mine. The credit approval is subject to certain conditions precedent, including the company raising a minimum of $18 million in additional financing, which cannot be assured.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have a limited market for our securities.

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

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

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

Risks Related to Our Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Item 1. Legal Proceedings

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

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

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

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

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

In August 2003, the Superior Court of the State of Arizona issued a judgment against us in favor of Sulphur Springs Valley Electric, Inc. in the amount of $161,316 for non-payment of our electricity bill. On January 23, 2004, Sulphur Springs executed a covenant not to execute on this judgment, provided that we abide by a specified payment schedule and pay the balance due on the judgment by February 28, 2006. On February 27, 2006**,** Sulphur Springs executed a second covenant not to execute amending the original payment schedule and extending the balance due date. We are obligated to pay $4,000 on the first day of every month, with the remaining amount due on the judgment to be paid on August 1, 2006. We estimate the amount due on August 1, 2006 to be approximately $61,314 plus interest.

Action By, and Cross Complaint Against, Great West Life

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

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

If we fail to make the scheduled payments, interest will accrue on the full $150,000 amount of the judgment at the rate of 10 percent per year, beginning on March 21, 2006.

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

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

On May 12, 2006, we issued 176,471 shares of our common stock valued at $88,236 to Nick Tintor, who was then our President and Chief Executive Officer, pursuant to his employment agreement. We issued these securities to Mr. Tintor, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

During the first quarter of 2006, we issued 60,000 shares of our common stock valued at $31,600, and on April 1, 2006 we issued 250,000 shares of our common stock valued at $75,000, to John Perry, our Senior Vice President and Chief Financial Officer, pursuant to his employment agreement. We issued these securities to Mr. Perry, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

In September 2005, we commenced a private placement of up to a maximum of 1,428,571 units at a price of $0.35 per unit. Each unit consisted of one share of common stock and one warrant to purchase one share of common stock. The stock purchase warrants have an exercise price of $0.40 and expire in three years. During January, 2006, we sold 80,000 units for gross proceeds of $28,000 pursuant to the final tranche of this private placement. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

In February 2006, we issued 11,881 shares of common stock to settle outstanding payables of $11,881. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

On February 8, 2006, we entered into an agreement with Walter Belous, a former independent, outside director of our company who resigned as a director of our company in December 1995, to settle certain retirement benefit claims. Under the terms of the settlement, we issued 42,500 shares of common stock, agreed to pay Mr. Belous $8,500 in cash for retirement benefits for calendar year 2006 and reaffirmed our continuing obligation to make annual payments in the amount of $8,500. We issued these securities to Mr. Belous, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

We acquired an exclusive option from Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC in January 2004 to purchase the leasehold rights and mining claims located near Safford in Graham County, Arizona described as Coyote Springs. In March 2006, we issued a total of 83,844 fully paid and non-assessable shares of common stock valued at $29,010 to Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC pursuant to the agreement. We issued these securities to Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC, as accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

During the first quarter of 2006, 2,700,000 stock options were exercised at an exercise price of $54,000. We issued these securities pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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

Item 3. Defaults Upon Senior Securities

None.

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

No matters were submitted to our security holders for a vote during the three months ended March 31, 2006.

Item 5. Other Information

None

Item 6. Exhibits

Articles of Incorporation and By-laws	
3.1	Certificate of Incorporation (as amended) of Nord Resources Corporation[1]
3.2	Amended and Restated Bylaws of Nord Resources Corporation[2]
Instruments defining the rights of security holders, including indentures	
4.1	Pages from Amended and Restated Bylaws of Nord Resources Corporation defining the rights of holders of equity or debt securities[1]
4.2	Convertible Promissory Note for $35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated June 29, 2004[1]
4.3	Amendment to Convertible Promissory Note dated June 29, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005[1]
4.4	Convertible Promissory Note for $66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated August 19, 2004[1]
4.5	Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective September 26, 2005[1]
4.6	Second Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective November 30, 2005[1]
4.7	Convertible Promissory Note for $106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated October 4, 2004[1]
4.8	Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective September 26, 2005[1]
4.9	Second Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005[1]
4.10	Revolving Line of Credit Agreement, between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005[1]
4.11	Security Agreement between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005[1]
4.12	Secured Promissory Note ($600,000) between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005[1]

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

4.28 Warrant Certificate issued by Nord Resources Corporation to Nedbank Limited, dated May 15, 2006(5)

4.29 Warrant Certificate issued by Nord Resources Corporation to Auramet Trading LLC, dated May 15, 2006(5)

4.30 Amended and Restated Secured Promissory Note, dated May 31, 2006, payable to Nedbank Limited in the principal amount of $4,900,000(6)

4.31 First Amendment to Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated May 31, 2006, among Nord Resources Corporation, First American Title Insurance Company and Nedbank Limited(6)

4.32 Amendment to Subordination Agreement, dated May 31, 2006, made for the benefit of Nedbank Limited by Ronald Hirsch and Stephen Seymour(6)

4.33 Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated May 31, 2006 representing 250,000 common stock purchase warrants(6)

4.34 Letter Agreement between Nord Resources Corporation Nedbank Limited and Auramet Trading, LLC dated August 8, 2006, extending the maturity date of a secured loan in the principal amount of $4,900,000(10)

4.35 Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated August 14, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005(12)

4.36 Amended and Restated Convertible Promissory Note for $35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated for reference June 29, 2004(13)

4.37 Amended and Restated Convertible Promissory Note for $66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated for reference August 19, 2004(13)

4.38 Amended and Restated Convertible Promissory Note for $106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated for reference October 4, 2004(13)

4.39 Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated August 17, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005(13)

Material Contracts

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

10.2 Waiver Agreement between Nord Resources Corporation and Ronald A. Hirsch dated February 15, 2006(3)

10.3	Executive Employment Agreement between Nord Resources Corporation and Erland Anderson dated January 2, 2004(1)
10.4	Waiver Agreement and Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated February 15, 2006(3)
10.5	Nord Resources Corporation Stock Option granted to Erland Anderson February 1, 2006(3)
10.6	Executive Employment Agreement between Nord Resources Corporation and John Perry dated April 18, 2005(1)
10.7	Memorandum of Understanding between Nord Resources Corporation and John Perry regarding employment matters dated March 28, 2005(1)
10.8	Waiver Agreement between Nord Resources Corporation and John Perry dated February 15, 2006(3)
10.9	Letter Agreement between Nord Resources Corporation and Nicholas Tintor regarding employment matters dated February 15, 2006(3)
10.10	Option to Purchase the Coyote Springs property from Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC to Nord Resources Corporation dated January 28, 2004(1)
10.11	First Amendment to Option to Purchase Coyote Springs property among Thornwell Rogers, South Branch Resources LLC, MRPGEO LLC and Nord Resources Corporation dated December 14, 2004(1)
10.12	Second Amendment to the Terms of Agreement, Option to Purchase the Coyote Springs Property, Graham County, Arizona, between Nord Resources Corporation and Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC, dated January 27, 2006(3)
10.13	Option to Purchase the Mimbres Property from Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC to Nord Resources Corporation dated June 10, 2004(1)
10.14	Option Agreement between Shirley Bailey and Nord Resources Corporation dated July 19, 2004(1)
10.15	Debt Conversion between Nord Resources Corporation and Thornwell Rogers dated April 16, 2004(1)
10.16	Debt Conversion between Nord Resources Corporation and South Branch Resources LLC dated April 16, 2004(1)
10.17	Debt Conversion between Nord Resources Corporation and MRPGEO, LLC dated April 16, 2004(1)
10.18	Letter dated January 29, 2004 from Peifer, Hanson & Mullins, P.A. to Nord Resources Corporation regarding debt conversion (accepted by NRC), together with draft Debt Conversion Agreement dated February 2004(1)

10.19	Debt Conversion Agreement between Peifer, Hanson and Mullins P.A. and Nord Resources Corporation dated October 25, 2005[1]
10.20	Settlement Agreement and Mutual and General Release between Nord Resources Corporation and Schuler Messersmith Daly & Landsdowne dated October 31, 2004[1]
10.21	Letters dated February 16, 2004 and October 8, 2004 relating to the consulting arrangement between Nord Resources Corporation and Rex E. Loesby[1]
10.22	Letter dated February 20, 2004 from Nord Resources Corporation to Cognis Corporation regarding debt conversion (accepted by Cognis), together with draft Debt Conversion Agreement[1]
10.23	Debt Conversion Agreement between Nord Resources Corporation and Cognis Corporation effective February 20, 2004[1]
10.24	Consulting Agreement between Nord Resources Corporation and Investor Growth, Inc. dated June 29, 2004[1]
10.25	Settlement Agreement and General Release between Nord Resources Corporation and W. Pierce Carson dated April 22, 2005[1]
10.26	Warrant Certificate issuing 250,000 warrants to W. Pierce Carson dated April 22, 2005[1]
10.27	Amendment No. 1 to Settlement Agreement and Mutual General Release between Nord Resources Corporation and Schuler Messersmith Daly & Landsdowne dated June 30, 2005[1]
10.28	Nord Resources Corporation form of Subscription Agreement (April 2004 private placement)[1]
10.29	Letter dated April 15, 2004, amending the terms of the April 2004 private placement[1]
10.30	Nord Resources Corporation form of Subscription Agreement (July 2004)[1]
10.31	Nord Resources Corporation form of Subscription Agreement for US Investors (2005 private placement)[1]
10.32	Nord Resources Corporation form of Subscription Agreement for Canadian Investors (2005 private placement)[1]
10.33	Nord Resources Corporation form of Warrant Certificate for US Purchasers (2005 private placement)[1]
10.34	Nord Resources Corporation form of Warrant Certificate for Canadian Purchasers (2005 private placement)[1]
10.35	Letter dated October 25, 2005, amending the terms of the 2005 private placement offering[1]
10.36	Letter dated November 15, 2005, amending the terms of the 2005 private placement offering[1]

10.37	Letter dated December 21, 2005, amending the terms of the 2005 private placement offering(1)
10.38	Agreement of Option and Right of First Refusal between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour dated October 14, 2004 (zinc business)(1)
10.39	Agreement of Assignment and Assumption between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour dated October 14, 2004(1)
10.40	Agreement of Assignment and Assumption between Ronald A. Hirsch and Stephen D. Seymour and TMD Acquisition Corporation dated February 26, 2005(1)
10.41	Final Asset Purchase Agreement between TMD Acquisition Corporation and ASARCO LLC dated March 2005(1)
10.42	Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine between Nord Resources Corporation and JC Rock, LLC dated December 23, 2004(1)
10.43	First Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated December 28, 2004(1)
10.44	Second Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated May 1, 2005(1)
10.45	Third Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated June 30, 2005(1)
10.46	Fourth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated September 30, 2005(1)
10.47	Fifth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated February 28, 2006(3)
10.48	Purchase, Sale and Option Agreement between Nord Resources Corporation and Titanium Resources Group Ltd. effective August 3, 2005(1)
10.49	Rescission Agreement between Nord Resources Corporation and Ronald A. Hirsch dated August 5, 2005 to rescind the exercise of certain stock options(1)
10.50	Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated January 5, 2006(3)
10.51	Sixth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated February 28, 2006(9)
10.52	Confidential Settlement and Release Agreement between Nord Resources Corporation (plaintiff/counter-defendant), and Titanium Resources Group, Ltd. and Edward Wayne Malouf (defendants/counter-plaintiffs) dated August 9, 2006(11)

Subsidiaries of the Small Business Issuer

21.1 Subsidiaries of Small Business Issuer:

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

Certifications

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended(14)

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(14)

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(14)

Additional Exhibits

99.1 Nord Resources Corporation 2006 Stock Incentive Plan(8)

Notes

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

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

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

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

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

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

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

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

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

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

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

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

(13) Incorporated by reference from Amendment No. 2 to our annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on August 23, 2006.

(14) Filed herewith.

SIGNATURES

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

NORD RESOURCES CORPORATION

By:

/s/Erland A. Anderson
Erland A. Anderson
Interim President and Chief Executive Officer

Date: August 23, 2006

By:

/s/John Perry
John T. Perry
Senior Vice President, Secretary, Treasurer and
Chief Financial Officer

Date: August 23, 2006