

NORD RESOURCES CORP
Form 10-Q
November 15, 2011

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

FORM 10-Q

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

For the quarterly period ended **September 30, 2011**

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

For the transition period from _____ to _____

Commission File Number: 1-08733

NORD RESOURCES CORPORATION

(Exact name of small business issuer as specified 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

Indicate by check mark whether the registrant (1) has 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 No

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

Yes No

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

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Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 112,177,627 shares of common stock as of November 14, 2011.

NORD RESOURCES CORPORATION**Quarterly Report On Form 10-Q
For The Quarterly Period Ended
September 30, 2011**

INDEX

<u>PART I FINANCIAL INFORMATION</u>	<u>1</u>
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Item 2. Management's Discussion and Analysis</u>	<u>3</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>13</u>
<u>Item 4. Controls and Procedures</u>	<u>13</u>
<u>PART II OTHER INFORMATION</u>	<u>14</u>
<u>Item 1. Legal Proceedings</u>	<u>14</u>
<u>Item 1A. Risk Factors</u>	<u>14</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>15</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>15</u>
<u>Item 4. Submission of Matters to a Vote of Securities Holders</u>	<u>15</u>
<u>Item 5. Other Information</u>	<u>15</u>
<u>Item 6. Exhibits</u>	<u>16</u>
<u>SIGNATURES</u>	<u>19</u>

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this quarterly report include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding our ability to restructure our existing secured credit facility, the market price of copper, availability of funds, government regulations, permitting, common share prices, operating costs, capital costs, outcomes of ore reserve development, recoveries and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as *may*, *will*, *should*, *expect*, *plan*, *intend*, *anticipate*, *believe*, *estimate*, *predict*, *potential* or *continue* 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-K for the year ended December 31, 2010, this quarterly report on Form 10-Q, and, from time to time, in other reports that we file with the Securities and Exchange Commission (the *SEC*). These factors may cause our actual results to differ materially from any forward-looking statement. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements**

The following unaudited condensed consolidated interim financial statements of Nord Resources Corporation together with its wholly-owned subsidiary, Cochise Aggregates and Materials, Inc. (sometimes collectively referred to as we, us or our Company) are included in this quarterly report on Form 10-Q:

	Page
<u>Condensed Consolidated Balance Sheets as of September 30, 2011 (unaudited) and December 31, 2010</u>	<u>F-1</u>
<u>Unaudited Condensed Consolidated Statements of Operations for the nine months ended September 30, 2011 and 2010</u>	<u>F-3</u>
<u>Unaudited Condensed Consolidated Statements of Operations for the three months ended September 30, 2011 and 2010</u>	<u>F-4</u>
<u>Unaudited Condensed Consolidated Statement of Changes in Stockholders' Equity (Deficit) for the nine months ended September 30, 2011</u>	<u>F-5</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010</u>	<u>F-6</u>
<u>Unaudited Notes to Condensed Consolidated Financial Statements</u>	<u>F-8</u>

It is the opinion of management that the interim condensed consolidated financial statements for the three and nine months ended September 30, 2011 and 2010 include all adjustments necessary in order to ensure that the condensed consolidated financial statements are not misleading. These condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. Except where noted, these interim condensed consolidated financial statements follow the same accounting policies and methods of their application as our Company's audited annual consolidated financial statements for the year ended December 31, 2010. All adjustments are of a normal recurring nature. These interim condensed consolidated financial statements should be read in conjunction with our Company's audited annual consolidated financial statements as of and for the year ended December 31, 2010.

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

	September 30, 2011	December 31, 2010
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 338,386	\$ 1,120,023
Accounts receivable	467,943	442,403
Inventories	3,775,877	4,685,599
Prepaid expenses and other assets	296,710	146,534
Total Current Assets	4,878,916	6,394,559
Property and Equipment, at cost:		
Property and equipment	50,397,687	51,096,100
Less accumulated depreciation, depletion and amortization	(6,038,933)	(5,639,197)
Net Property and Equipment	44,358,754	45,456,903
Other Assets:		
Deposits	123,093	123,093
Restricted marketable securities	686,476	686,476
Stockpiles and ore on leach pads	7,312,890	10,228,475
Debt issuance costs, net of accumulated amortization	455,176	714,653
Total Other Assets	8,577,635	11,752,697
Total Assets	\$ 57,815,305	\$ 63,604,159

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND DECEMBER 31, 2010
(Continued)

	September 30, 2011	December 31, 2010
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable	\$ 4,454,673	\$ 3,915,011
Accrued expenses	577,982	894,389
Accrued interest	4,194,605	1,762,709
Copper derivatives settlement payable	14,093,847	7,660,508
Current maturities of long-term debt	6,194,360	-
Current maturities of senior long-term debt	19,691,084	14,320,788
Current maturities of derivative contracts, at fair value	1,818,445	8,677,926
Senior long-term debt accelerated due to default	3,566,742	8,937,038
Other current liabilities	53,729	55,856
Total Current Liabilities	54,645,467	46,224,225
Long-Term Liabilities:		
Long-term debt	-	6,495,428
Deferred revenue, less current portion	4,656,618	4,690,940
Accrued reclamation costs	3,111,081	3,932,966
Other long-term liabilities	111,073	133,505
Total Long-Term Liabilities	7,878,772	15,252,839
Total Liabilities	62,524,239	61,477,064
Commitments and contingencies		
Stockholders Equity (Deficit):		
Common stock: \$.01 par value, 400,000,000 and 200,000,000 shares authorized, 112,177,627 and 111,814,852 shares issued and outstanding as of September 30, 2011 and December 31, 2010, respectively	1,121,777	1,118,149
Additional paid in capital	122,081,000	121,835,134
Accumulated deficit	(127,911,711)	(120,826,188)
Total Stockholders Equity (Deficit)	(4,708,934)	2,127,095
Total Liabilities and Stockholders Equity (Deficit)	\$ 57,815,305	\$ 63,604,159

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(Unaudited)

	2011	2010
Net sales	\$ 11,985,373	\$ 22,604,645
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)	13,142,763	13,345,989
General and administrative expenses (includes stock based compensation of \$237,956 and \$216,950, respectively)	1,729,415	1,572,901
Depreciation, depletion and amortization	743,148	1,328,262
Income (loss) from operations	(3,629,953)	6,357,493
Other income (expense):		
Interest expense	(2,734,798)	(2,360,840)
Unrealized loss on de-designation of cash flow hedges	-	(13,712,395)
Losses on derivatives classified as trading securities	(788,807)	(226,852)
Miscellaneous income (expense)	68,035	(142,382)
Total other income (expense)	(3,455,570)	(16,442,469)
Loss before income taxes	(7,085,523)	(10,084,976)
Provision for income taxes	-	-
Net loss	\$ (7,085,523)	\$ (10,084,976)
Net loss per basic and diluted share of common stock:		
Weighted average number of basic and diluted common shares outstanding	113,491,342	111,720,671
Basic and diluted loss per share of common stock	\$ (0.06)	\$ (0.09)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(Unaudited)

	2011	2010
Net sales	\$ 3,845,199	\$ 7,896,253
Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below)	4,480,918	5,676,743
General and administrative expenses (includes stock based compensation of \$81,761 and \$102,303, respectively)	534,959	326,505
Depreciation, depletion and amortization	253,161	470,321
Income (loss) from operations	(1,423,839)	1,422,684
Other income (expense):		
Interest expense	(925,312)	(874,497)
Unrealized loss on de-designation of cash flow hedges	-	(319,542)
Gains (losses) on derivatives classified as trading securities	602,402	(4,165,463)
Miscellaneous income (expense)	12,024	5,691
Total other income (expense)	(310,886)	(5,353,811)
Loss before income taxes	(1,734,725)	(3,931,127)
Provision for income taxes	-	-
Net loss	\$ (1,734,725)	\$ (3,931,127)
Net loss per basic and diluted share of common stock:		
Weighted average number of basic and diluted common shares outstanding	113,678,970	112,290,583
Basic and diluted loss per share of common stock	\$ (0.02)	\$ (0.04)

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN STOCKHOLDERS EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011
(Unaudited)**

	Common Stock	Additional	Accumulated	Total	
	Shares	Amount	Paid-in Capital	Deficit	Stockholders Equity (Deficit)
Balance at December 31, 2010	111,814,852	\$ 1,118,149	\$ 121,835,134	\$ (120,826,188)	\$ 2,127,095
Comprehensive loss:					
Net loss	-	-	-	(7,085,523)	(7,085,523)
Comprehensive loss					(7,085,523)
Common stock issued for settlement of accounts payable	82,418	824	10,714	-	11,538
Compensation expense from issuance of stock options	-	-	159,206	-	159,206
Common stock issued for deferred stock units	280,357	2,804	(2,804)	-	-
Compensation expense from issuance of deferred stock units	-	-	78,750	-	78,750
Balance at September 30, 2011	112,177,627	\$ 1,121,777	\$ 122,081,000	\$ (127,911,711)	\$ (4,708,934)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(Unaudited)

	2011	2010
Cash Flows From Operating Activities:		
Net loss	\$ (7,085,523)	\$ (10,084,976)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	743,148	1,328,262
Accretion expense on accrued reclamation costs	290,886	6,650
Amortization of debt issuance costs	259,477	203,671
Issuance of stock options for services rendered	159,206	71,847
Issuance of common stock for services rendered	-	53,853
Issuance of deferred stock units for services rendered	78,750	91,250
Loss on write-off of mineral lease option	10,980	-
Unrealized loss on de-designation of copper derivatives as cash flow hedges	-	13,712,395
Changes in assets and liabilities:		
Accounts receivable	(25,540)	166,767
Inventories, stockpiles and ore on leach pads	3,481,895	(9,402,057)
Prepaid expenses and other assets	(150,176)	(232,524)
Accounts payable	753,474	4,152,121
Accrued expenses	(316,407)	(49,864)
Accrued interest	2,431,896	1,606,434
Copper derivatives settlement payable	6,433,339	4,154,852
Derivative contracts at fair value	(6,859,481)	(3,902,204)
Deferred revenue	(36,448)	(99,441)
Other liabilities	(9,795)	(11,158)
Net Cash Provided By Operating Activities	159,681	1,765,878
Cash Flows From Investing Activities:		
Capital expenditures	(627,612)	(747,308)
Net Cash Used By Investing Activities	(627,612)	(747,308)
Cash Flows From Financing Activities:		
Debt issuance costs	-	(191,333)
Proceeds from exercise of options	-	40,650
Principal payments on long-term debt	(301,068)	(876,413)
Principal payments on capital lease	(12,638)	(12,891)
Net Cash Used By Financing Activities	(313,706)	(1,039,987)
Net Decrease in Cash and Cash Equivalents	(781,637)	(21,417)
Cash and Cash Equivalents at Beginning of Period	1,120,023	1,297,138
Cash and Cash Equivalents at End of Period	\$ 338,386	\$ 1,276,721

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

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Interest	\$	453,011	\$	186,584
Income taxes		-		-

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

F-6

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010
(Unaudited)
(Continued)

	2011	2010
Supplemental Disclosure of Non-cash Investing and Financing Activities:		
Common stock issued in exchange for deferred stock units	\$ 2,804	\$ 3,062
Common stock issued for settlement of accounts payable	11,538	-
Mark to market of cash flow hedges	-	(643,436)
Change in property and equipment financed by accounts payable	(202,274)	(448,416)
Change in depreciation expense allocated to inventory	(105,003)	194,138
Change in depreciation expense allocated to stockpiles and ore on leach pads	(238,409)	692,569
Change in estimate of cash flows for asset retirement obligation	(1,112,771)	-
Refinancing of short term obligations with current maturities of long term debt	-	7,350,008
Refinancing of short term obligations with long term debt, less current maturities	-	849,992

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

Nord Resources Corporation (together with its wholly-owned subsidiary, Cochise Aggregates and Materials, Inc., the Company) is a United States based corporation involved in all phases of the mining business including exploration, permitting, developing and operating mining projects. The Company's primary asset is the Johnson Camp Copper Mine (Johnson Camp Mine) located in Arizona. In July 2007, the Company commenced the reactivation of the Johnson Camp Mine. The Company commenced copper cathode production from leaching existing old dumps in January 2008 and commenced mining of new ore upon completion of the reactivation work in January 2009. The Company achieved commercial copper cathode production from newly-mined ore on April 1, 2009 following substantial completion of the testing and development phase. In July 2010, the Company temporarily suspended the mining and crushing of new ore and implemented an action plan aimed at improving operating efficiencies. The Company continues to produce copper through the leaching of ore already in place on the existing pads and processing the solution through the SX-EW plant.

The accompanying financial information of the Company is prepared in accordance with the rules prescribed for filing condensed interim financial statements and, accordingly, does not include all disclosures that may be necessary for complete financial statements prepared in accordance with U.S. generally accepted accounting principles. The disclosures presented are sufficient, in management's opinion, to make the interim information presented not misleading. All adjustments, consisting of normal recurring adjustments which are necessary so as to make the interim information not misleading, have been made. Results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of results of operations that may be expected for the year ending December 31, 2011. The Company recommends that this financial information be read in conjunction with the complete consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, previously filed with the Securities and Exchange Commission (the SEC).

2. BASIS OF PRESENTATION

The accompanying condensed cons