

NORD RESOURCES CORP
Form 10-K
March 31, 2011

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

FORM 10 K

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

For the fiscal year ended **December 31, 2010**

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

For the transition period from _____ to _____

Commission File Number: **1 08733**

NORD RESOURCES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

85 0212139

(IRS Employer Identification No.)

1 West Wetmore Road, Suite 203

Tucson, Arizona

(Address of principal executive offices)

85705

(Zip Code)

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

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

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

Common Stock, par value \$0.01 per share

(Title of class)

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

Yes No

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

Yes No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such

Edgar Filing: NORD RESOURCES CORP - Form 10-K

reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Yes No

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

Large accelerated filer

Accelerated filer

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

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

Yes No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2010, computed by reference to the price at which such stock was last sold on the OTC Bulletin Board (\$0.10 per share) on that date, was approximately \$11,097,258.

The registrant had 112,040,264 shares of common stock outstanding as of March 15, 2011.

NORD RESOURCES CORPORATION
Form 10 K

ITEM 1.	<u>BUSINESS</u>	<u>2</u>
ITEM 1A.	<u>RISK FACTORS</u>	<u>5</u>
ITEM 1B.	<u>UNRESOLVED STAFF COMMENTS</u>	<u>5</u>
ITEM 2.	<u>PROPERTIES</u>	<u>18</u>
	<u>JOHNSON CAMP PROPERTY</u>	<u>18</u>
	<u>OTHER PROPERTIES</u>	<u>38</u>
ITEM 3.	<u>LEGAL PROCEEDINGS</u>	<u>38</u>
ITEM 4.	<u>(REMOVED AND RESERVED)</u>	<u>40</u>
ITEM 5.	<u>MARKET FOR COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	<u>40</u>
	<u>RECENT SALES OF UNREGISTERED SECURITIES</u>	<u>43</u>
	<u>PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	<u>44</u>
ITEM 6.	<u>SELECTED FINANCIAL DATA</u>	<u>44</u>
ITEM 7.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>44</u>
	<u>OVERVIEW OF OUR BUSINESS</u>	<u>44</u>
	<u>OUR PLAN OF OPERATIONS</u>	<u>48</u>
	<u>CRITICAL ACCOUNTING POLICIES AND ESTIMATES</u>	<u>56</u>
	<u>OFF BALANCE SHEET ARRANGEMENTS</u>	<u>66</u>
ITEM 7A.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>66</u>
ITEM 8.	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>66</u>
ITEM 9.	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS AND FINANCIAL DISCLOSURE</u>	<u>66</u>
ITEM 9A.	<u>CONTROLS AND PROCEDURES</u>	<u>66</u>
	<u>EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES</u>	<u>66</u>
	<u>INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	<u>67</u>
	<u>MANAGEMENT REPORT ON ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	<u>67</u>

<u>INHERENT LIMITATION OF THE EFFECTIVENESS OF INTERNAL CONTROL</u>	<u>67</u>
<u>CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING</u>	<u>68</u>
<u>ITEM 9A(T). CONTROLS AND PROCEDURES</u>	<u>68</u>
<u>ITEM 9B. OTHER INFORMATION</u>	<u>68</u>
<u>ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	<u>68</u>
<u>DIRECTORS AND EXECUTIVE OFFICERS</u>	<u>68</u>
<u>COMPLIANCE WITH SECTION 16 OF THE SECURITIES EXCHANGE ACT</u>	<u>76</u>
<u>CODE OF ETHICS</u>	<u>77</u>
<u>ITEM 11. EXECUTIVE COMPENSATION</u>	<u>78</u>
<u>SUMMARY COMPENSATION TABLE</u>	<u>78</u>
<u>OUTSTANDING EQUITY AWARDS AS OF DECEMBER 31, 2009</u>	<u>79</u>
<u>EQUITY COMPENSATION PLANS</u>	<u>79</u>

<u>COMPENSATION OF DIRECTORS</u>	<u>80</u>
<u>EMPLOYMENT CONTRACTS AND TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS</u>	<u>81</u>
ITEM 12. <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	<u>86</u>
ITEM 13. <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	<u>88</u>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	<u>89</u>
<u>GLOSSARY OF TECHNICAL TERMS</u>	<u>89</u>
ITEM 14. <u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	<u>93</u>
<u>AUDIT FEES</u>	<u>93</u>
<u>AUDIT RELATED FEES</u>	<u>93</u>
<u>TAX FEES</u>	<u>93</u>
<u>ALL OTHER FEES</u>	<u>93</u>
<u>AUDIT COMMITTEE PRE APPROVAL OF AUDIT AND PERMISSIBLE NON AUDIT SERVICES OF INDEPENDENT AUDITORS</u>	<u>93</u>
ITEM 15. <u>EXHIBITS</u>	<u>94</u>
<u>SIGNATURES</u>	

FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

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

For further information, you should carefully read and consider the section of this annual report entitled Risk Factors beginning on page 5.

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

PART I

ITEM 1. BUSINESS

Overview

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

Development of Our Business

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

cathode.

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

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

In January 2008 we commenced copper cathode production from leaching old leach pads, and during 2008, we produced approximately 2,901,613 million pounds of copper from residual leaching.

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

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

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

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

We are continuing to target a production rate of 25 million pounds of copper per year. However, we now believe that we cannot achieve this until we have completed and put into full operation our planned new leaching pad. We expect that the new pad, which will be about double the size of two of our existing three pads, could be operational approximately 150 days after we have obtained the financing needed to build it (which cannot be assured at this time), assuming that the permitting that we applied for in the fall of 2010 is also in place by that time. We estimate that we would incur approximately \$18 million in capital costs for the development and construction of the new leach pad.

In the interim, we have developed an alternative plan that is under active consideration, which should enable us to move back into mining new ore to increase our copper production and operating cash flow in the short term. This plan would require only about a \$6 million investment to place a liner on our existing three pads, which would enable us to productively leach new ore there. This approach does not require any additional permits, but remains contingent on our ability to raise additional financing to cover the cost of the new liner and provide working capital for the approximate 60 day period it would take to complete the work, resume our mining and crushing operations and commence leaching new ore. If we are able to proceed on this basis, we plan to apply at least some of the increased

cash flow to financing the construction of the new pad.

Financing Activities

In June 2008, we entered into an Amended and Restated Credit Agreement with Nedbank Limited, as administrative agent and lead arranger, which provided for a \$25 million secured term loan credit facility. All of the funds available under such facility have been used by us to finance the construction, start up and operation of mining and metal operations at the Johnson Camp Mine. As of December 31, 2010, this facility was fully drawn and the outstanding balance of the credit facility was \$23,257,826.

In March 2009, we sold a 2.5% royalty on the mineral production sold from the existing mineral rights at the Johnson Camp Mine for net proceeds of approximately \$4,950,000.

In November 2009, we completed an unregistered, brokered private placement of 40 million units (the Units) for total gross proceeds of \$12,000,000. In connection with the offering, which was effected in an offshore transaction pursuant to Rule 903 of Regulation S promulgated under the Securities Act of 1933, as amended, we paid the placement agent a commission equal to \$600,000, or 5% of the gross proceeds of the offering. Each Unit, priced at \$0.30, consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of our Company at a price of \$0.38 per share until June 5, 2012. The proceeds of the offering were used to make debt service payments under the Nedbank credit facility, to purchase approximately \$500,000 in additional equipment, to reduce accounts payable, and for general working capital purposes.

In connection with the private placement of the Units, we received an exemption from certain shareholder approval requirements under the rules of the Toronto Stock Exchange (the TSX), on the basis of financial hardship. Reliance on this exemption automatically triggered a TSX de-listing review to confirm that we continue to meet the TSX listing requirements. In June 2010, the Company announced that it was unable to meet the continued listing requirements of the TSX and subsequently delisted from the TSX effective at the close of the market on July 30, 2010.

Default Under Secured Credit Agreement with Nedbank

In March 2009, our credit agreement with Nedbank was amended and restated to provide for, among other things, the deferral of certain principal and interest payments until December 31, 2012 and March 31, 2013. While we made the scheduled principal and interest payment that was due on December 31, 2009 in the approximate amount of \$2,200,000, we were unable to make the payments of principal in the amounts of \$1,790,099 that were due on March 31, June 30, September 30, and December 31 2010, respectively, and the related interest payments of \$362,852, \$567,982, \$583,580 and \$590,256 that were due on those dates. We do not have a forbearance agreement with Nedbank and Nedbank has the full authority to exercise its rights under the credit agreement, including the acceleration of the full amount due thereunder and the institution of foreclosure proceedings against the Johnson Camp Mine. In accordance with the credit agreement, upon missing the principal and interest payments, the interest rate on the outstanding debt and unpaid accrued interest has been increased by 3.00% to LIBOR plus 9.06% .

Given our default under the credit agreement, the full amount of the outstanding principal of \$23,257,826 must now be included in our Company s current liabilities. Accordingly, we have reclassified \$8,937,038 of senior long-term debt to current liabilities within our consolidated balance sheet as of December 31, 2010.

Default Under Copper Derivatives Agreements with Nedbank Capital

Nedbank Capital has also declined to extend the forbearance agreement regarding the Company s failure to make the timely payments for the monthly settlements beginning in March of 2010 through December 31, 2010 in the aggregate amount of \$7,660,508 due under the copper derivatives agreements between the parties. However, 100% of the related copper derivatives mature during the year ending December 31, 2011 and are therefore already classified as current liabilities. Derivative contracts with a fair market value of (\$8,677,926), which includes the long-term portion of the Company s interest rate swap with Nedbank of \$(30,153) that was accelerated into current liabilities due to the Company s default, are scheduled to mature during the next twelve months.

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

In July 2010, we reached an agreement with our largest unsecured trade creditor to convert approximately \$8.2 million of payables to a two-year unsecured note bearing interest on the outstanding principal at the rate of 6% per annum. Under the agreement, the creditor, mining contractor Fisher Sand & Gravel Company (Fisher), will receive weekly payments on the note with the amounts based on a formula related to the weekly level of copper sales made by our

Company.

As a result of our agreement with Fisher, as of December 31, 2010, the current maturities of long-term debt and long-term debt, less current maturities, are \$0 and \$6,495,428, respectively, and are reflected in the consolidated balance sheet. As of December 31, 2010, the \$0 amount within current maturities of long-term debt is based upon the current state of operations wherein the Company has ceased the mining and crushing of new ore. Accordingly, in our Company's estimate of copper production for the next twelve months, the weekly level of copper sales is such that the payments to Fisher, as determined in accordance with the agreement, will be comprised of interest only. However, this estimate is subject to change based upon changes made to the Company's mining operations - namely, the resumption of the mining of new ore.

Other Operations

The Johnson Camp property includes decorative and structural stone operations, which produce landscape and aggregate rock from the overburden piles at the Johnson Camp Mine. Until January 31, 2009 we leased the landscape and aggregate rock operations to a third party in exchange for sliding scale royalties. Between February 2009 and March 2010, we managed the landscape rock operation; the aggregate rock operation continues to be leased to a third party. Effective April 2010, our Company leased the landscape rock operations to a third party in exchange for royalties. We do not believe that the landscape and aggregate rock operations are now nor will be material to our consolidated financial results of operations in the future.

Incorporation and Principal Business Offices

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

ITEM 1A. RISK FACTORS

Much of the information included in this annual 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 annual report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward looking statements. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Risks Related to Our Company

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

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

We had net loss of (\$21,205,410) and net income of \$392,438 for the years ended December 31, 2010 and 2009, respectively. As of December 31, 2010, we had a working capital deficiency of \$(39,929,666). This deficiency includes current liabilities of \$22,968,561 representing the current portions of our long-

term debt and derivative contracts, as well as \$30,153 and \$8,937,038 of long-term derivative liabilities and senior long-term debt, respectively, that were classified as current liabilities due to our Company defaulting on the related agreements.

We have temporarily suspended the mining and crushing of ore at the Johnson Camp Mine, with the result that copper production will slowly decline over time until the resumption of mining and crushing operations.

In July 2010, our Company temporarily suspended the mining and crushing of ore at the Johnson Camp Mine and laid off 43 people, representing approximately half of its workforce at the mine. Our Company continues to produce copper through the leaching of ore already in place on its existing pads and the ongoing operations of its SX-EW plant. The suspension resulted in an immediate reduction of costs and has enabled our Company to maximize operating cash flow from the production of copper. However, we expect that the production level will slowly decline until the resumption of mining and crushing operations.

Our targeted full production rate of 25 million pounds of copper per annum will not be attained until we have transitioned the stacking of ore to the new leach pad, which is not expected to be operational until 90 days after we obtain additional financing.

The targeted full production rate of 25 million pounds of copper per annum will not be attained until we have transitioned the stacking of ore to the new leach pad which is scheduled to be in operation 90 days after we obtain additional financing. We cannot provide any assurance that we will be able to obtain the necessary financing for the new leach pad, ramp up to full production, or have successful mining and processing operations at the Johnson Camp property in the future.

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

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

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

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

We have prepared estimates of future copper production; however, we cannot be certain that we will ever achieve these estimates. Our production estimates depend on, among other things: the accuracy of our reserve estimates; the accuracy of assumptions regarding ore grades and recovery rates; ground conditions and physical characteristics of the mineralization, such as hardness and the presence or absence of particular metallurgical characteristics; the accuracy of estimated rates and costs of mining and processing; and our ability to obtain and maintain all necessary permits at all levels of development and production. We are processing the copper mineralization using Leach-SX EW technology. This technique may not be as efficient or economical as we have projected. Our actual production may vary

from our estimates if any of these assumptions prove to be incorrect, and we may never achieve our full production target rate of 25 million pounds of copper per annum.

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

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

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

Sulfuric acid supply for SX EW projects in the southwestern U.S. is produced primarily as a smelter byproduct at smelters in the southwest U.S. and in Mexico. We have an agreement in place with a broker of acid to supply us with sulfuric acid through the end of 2011. However, we cannot be assured that the broker will be able to provide us with an adequate supply of sulfuric acid without interruptions and we continue to remain subject to market fluctuations in the price of sulfuric acid.

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

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

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

In August 2010, we entered into an agreement with a nearby rancher for the purchase of water from any of his three wells that have a capacity of approximately 500 to 600 gallons per minute which is currently approximately 150% more than is required at this time. The loss of some or all water rights, in whole or in part, or shortages of water to which we have rights could require us to curtail or shut down mining production or could prevent us from pursuing expansion opportunities.

Our estimates of reserves are inherently subject to error, particularly since we have limited operating history on which to base such estimates. Our actual results may differ due to unforeseen events and uncontrollable factors that can have significant adverse impacts.

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

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

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

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

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

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

We have evaluated the commercial viability of the Johnson Camp Mine based on an estimate of ore reserves contained in the feasibility study. The resource model and estimate previously prepared and used as the basis for the feasibility study is based largely on drilling, sampling and assay data that had been

developed by the previous operators of the Johnson Camp Mine, Cyprus and Arimetco, and by Summo. The validity of the estimates assumes the accuracy of the underlying drill hole electronic database.

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

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

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

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

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

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

We have incurred substantial debt and have granted a security interest in our assets. We are in default of our credit agreement with Nedbank, and Nedbank may take steps to realize upon its security by taking control of all or a portion of our assets.

We are a party to an amended and restated credit agreement dated as of March 31, 2009 with Nedbank Limited, as the administrative agent and lead arranger, which provided a \$25,000,000 secured term loan

credit facility used by our Company to finance the reactivation of the Johnson Camp Mine. We have delivered a deed of trust, a collateral account agreement and certain other security agreements that grant to the lenders a first priority lien encumbering all of the real and personal property associated with the Johnson Camp property, including all patented mining claims, fee lands and unpatented mining claims in which we have an interest. The lenders are entitled to realize upon their security interests and seize our assets as we are currently unable to repay or refinance the loans as they become due. In addition, pursuant to the terms of the credit agreement, we are required to meet specified financial tests any time that any loan proceeds remain outstanding under the credit agreement. As of December 31, 2010 we were not in compliance with these restrictive financial covenants.

As disclosed elsewhere in this Annual Report, we are now in default of our obligations under the credit agreement. Accordingly, the full amount of the outstanding principal and accrued and unpaid interest as of December 31, 2010 must now be included in our Company's current liabilities, together with any additional amounts payable under the credit agreement. We are also in default under our copper hedge agreement with Nedbank Capital. Our Company's continuation as a going concern is dependent upon our ability to refinance our obligations under the credit agreement with Nedbank. If Nedbank elects to exercise its rights under the credit and copper hedge agreements, it would result in the acceleration of the full amounts due thereunder and the institution of foreclosure proceedings against the security. Any such actions could force us into bankruptcy or liquidation.

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

We estimate that we will incur an additional \$18 to \$24 million in capital costs during the next year, primarily for the development and construction of new leach pads that are scheduled to be operational in 2011 or early 2012. The estimated start-up date for the new pads is subject to our Company's ability to complete our current efforts to refinance our Company. Our estimated capital costs and operating expenses may change with additional detailed engineering and more operating experience as our mine plan is implemented. We cannot guarantee that we will be able to obtain any additional financing on commercially reasonable terms or at all. If we fail to obtain the necessary financing when needed, we may not be able to execute our mine plan and we may again be forced to place the Johnson Camp Mine on care and maintenance status.

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

As of December 31, 2010, the outstanding principal amount of our debt was \$23,257,826. The widely reported domestic and global recession, and the unprecedented levels of disruption and continuing illiquidity in the credit markets have had an adverse effect on our operating results and financial condition, and if sustained or worsened, such adverse effects could continue or deteriorate. Disruptions in the credit and financial markets have adversely affected financial institutions, inhibited lending and limited access to capital and credit for many companies, including ours. In addition, copper prices have been highly volatile. Over the past two years copper prices have fluctuated in a range between \$1.39/lb. to \$4.41/lb. On December 31, 2010, the spot price of copper on the LME was \$4.41/lb. These conditions have made it difficult for us to obtain, or increased our cost of obtaining, capital and financing for our operations and have limited our flexibility to plan for, or react to, changes in our business and the markets in which we operate. If these conditions persist or deteriorate, they could, among other things, make it difficult for us to finance our working capital requirements and service our existing debt.

If future financing is not available to us when required, as a result of limited access to the credit markets or otherwise, or is not available on acceptable terms, we may not have sufficient working capital for our

exploration, development and production programs. We may also be unable to take advantage of business opportunities or respond to competitive pressures. Any of these circumstances could have an adverse effect on our operating results and financial condition.

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

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

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

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

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

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

The mining industry is competitive in all of its phases. We face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than us. As a result of this competition, we may be unable to maintain or acquire

attractive mining properties on terms we consider acceptable or at all. Consequently, our revenues, operations and financial condition could be materially adversely affected.

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

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

In order to be successful during and after the resumption of full operations, we will have to expand our workforce. We may not be successful in recruiting the necessary personnel, or in managing the new challenges that we will face with any significant growth.

When we are in full operations, we need to maintain a workforce at the Johnson Camp Mine of approximately 80 employees as well as various contractors. This requirement places substantial demands on our Company and our management. We will be required to hire, retain, motivate and manage our employees. We have no assurance that we will be able to retain and recruit the personnel required to execute our programs or to manage these changes successfully.

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

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

Our directors and officers may have conflicts of interest.

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

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

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

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

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

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

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

In November 2009, we completed an unregistered, brokered private placement of 40 million units for total gross proceeds of \$12,000,000. Each unit consisted of one common share and one common share purchase warrant exercisable until June 5, 2012. Upon completion of the private placement, Ross Beaty, acting through a wholly-owned holding company, and Riaz Shariff acquired 34,250,000 and 5,750,000 common shares, respectively, representing approximately 31% and 5.2%, respectively, of the outstanding common shares of our Company on a post-closing basis. Under rules promulgated by the Securities and Exchange Commission pursuant to the *Securities Exchange Act of 1934*, as amended, Mr. Beaty and Mr. Shariff are also considered to beneficially own the 34,250,000 and 5,750,000 common shares that are issuable upon exercise of the warrants forming part of their respective units, which together with their outstanding common shares, represent approximately 47.3% and 9.9%, respectively, of our Company's issued and outstanding common shares (assuming non-exercise of certain outstanding options, warrants and other rights to acquire shares of our common stock).

In addition, we have one other shareholder who, according to reports filed by the company under the *Securities Exchange Act of 1934*, as amended, beneficially owns 7.3% of our issued and outstanding common stock (assuming non-exercise of certain outstanding options, warrants and other rights to acquire shares of our common stock held by persons other than the relevant officer, director or 10% shareholder).

As of December 31, 2010, our officer and directors as a group beneficially own approximately 14.0% of our issued and outstanding common stock (assuming non-exercise of certain outstanding options, warrants and other rights to acquire shares of our common stock).

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

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

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

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

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

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

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

Our reliance on the financial hardship exemption from certain stockholder approval requirements of the Toronto Stock Exchange in connection with our recent \$12,000,000 private placement triggered an automatic TSX de-listing review. On July 30, 2010, our common stock was delisted from the TSX.

In connection with our \$12,000,000 private placement of 40 million Units in November, 2009, we received an exemption from certain shareholder approval requirements under the rules of the Toronto Stock Exchange (the TSX), on the basis of financial hardship. Reliance on this exemption automatically triggered a TSX de-listing review to confirm that we continue to meet the TSX listing

requirements. We were unable to meet the continued listing requirements of the TSX. Therefore, effective as of the close of the market on July 30, 2010, our common stock was delisted from the TSX.

Our common stock has been de-listed from the OTCBB due to quoting inactivity.

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

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

At December 31, 2010, our Company had federal and state net operating loss carry forwards of approximately \$75,200,000 and \$17,200,000, respectively. We believe that for the purposes of section 382 of the Internal Revenue Code, a change of control occurred on or before November 5, 2009. However, we have not obtained a formal tax opinion to that effect. If any change of control is deemed to have occurred—for example, either during the time preceding the completion of our unregistered special warrant offering in September 2007, immediately following conversion of the special warrants into the underlying shares of common stock and warrants, or immediately following the completion of our unregistered \$12 million unit offering in November 2009—or if a change of control occurs at any time in the future, our Company's ability to fully utilize its net operating loss carry forwards in computing its taxable income will be limited to an annual maximum of the value of our Company just prior to the change in control multiplied by the long-term tax exempt rate.

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

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

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

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

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

Risks Related to Our Industry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 2. PROPERTIES

A glossary of Technical Terms appears at page 89.

Johnson Camp Property

Technical Report

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

Description and Location

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

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

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

Figure 1: Location Map

Titles

The Johnson Camp property consists of 59 patented lode mining claims, 102 unpatented lode mining claims and 617 acres of fee simple lands. (See **Figure 2: Johnson Camp Land Status Map**). The patented claims comprise approximately 871 acres and the unpatented claims comprise approximately 1,604 acres. Thus, the Johnson Camp property covers approximately 3,092 acres. All of the claims are contiguous, and some of the unpatented mining claims overlap. We keep the unpatented mining claims in good standing by paying fees of \$13,250 per year to the United States Federal Government. We keep the fee simple and patented claims in good standing by paying property taxes and claims filing fees of approximately \$35,000 per year. The copper processing facilities and the Copper Chief and Burro open pits that serve as focal points for our mine plan are located on the patented mining claims or the fee simple lands.

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

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

Figure 2: Johnson Camp Land Status Map

Accessibility, Climate, Local Resources, Infrastructure and Physiography

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

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

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

The existing facilities include the SX-EW processing plant, an administrative and engineering office and warehouse, laboratory, truck shop, core storage building, plant mechanical shop, and various used vehicles, pumps and other equipment. The newly constructed crushing, conveying and stacking system include the following: One 42x65 inch gyratory crusher, conveyors feeding a 40,000 ton (10,000 ton live) coarse ore stockpile, three feeders and a conveyor that feeds two 6x20-foot screens, conveyor feeding a 100-ton surge bin, two conveyors feeding two H6800 hydrocone secondary crushers, conveyor feeding a 40,000 ton fine ore stockpile, three feeders and a conveyor feeding a 10x35-foot agglomerator, an approximate 3,000 foot overland conveyor feeding a stacking system that includes twenty-one 100-

foot grasshopper conveyors and a 150-foot radial tele-stacker. The SX-EW processing plant was refurbished and expanded to handle solution from the new crushed and stacked ore and is comprised of a solvent extraction plant, an electrowinning tank house, a tank farm and four solution storage ponds. The solvent extraction plant consists of four extraction mixer-settlers and two strip mixer-settlers, and has a capacity of 2,500 to 5,000 gallons per minute depending if the circuit is in a series or parallel configuration. The electrowinning tank house consists of 88 electrowinning cells that can produce up to 25 million pounds per year. The tank farm, located in front of the tank house, is used for intermediate storage of electrolyte. The four solution storage ponds have a total capacity of approximately 18 million gallons. A new automated cathode stripping machine has been installed to strip copper cathodes from the stainless steel blanks.

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

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

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

Our workforce at the Johnson Camp Mine is approximately 80 employees when fully operational. We utilize contractors under our supervision for mining, drilling, blasting, loading and hauling the mined material. We manage all other activities at the Johnson Camp Mine.

Geological Setting and Mineralization

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

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

The style of mineralization and the type of alteration recently mapped on the northern lower benches of the Burro pit suggest the possible presence beneath the property of a mineralized porphyry type deposit. In addition to the alteration evidence, a prominent magnetic low anomaly is present between the Burro pit

and Copper Chief deposit supporting the possible presence of a porphyry type deposit at depth. Porphyry copper deposits are typically very large, low grade and require processing by recovery processes much different than those currently at Johnson Camp Mine.

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

Figure 3: Burro Pit Area

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

Figure 4: Copper Chief Deposit

Historic Copper Production

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

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

In 1996, based on metallurgical testing it conducted, Arimetco added a crushing plant to reduce the particle size of ore placed on the heaps in an effort to improve recoveries. The metallurgical test work indicated improved recoveries from crushed ore. Nord Resources believed that the initial results from leaching of crushed ore placed on a new liner system installed by Arimetco were an increase in leach solution copper grade and an improvement in recoveries to the point where they matched the

metallurgical test work performed on certain ore at a similar crush size. However, crushed ore represented less than 25 percent of the total ore that Arimetco had under leach. According to the Technical Report these operating results, along with the column leach test results, clearly support the need to crush the ore to obtain reasonable recoveries under heap leach conditions.

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

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

Reserves

Our Company is currently in the process of revising its estimate of the proven and probable reserves at the Johnson Camp Mine. As our Company has allocated \$0 to proven and probable reserves on the consolidated balance sheet as of December 31, 2010 and 2009, a revision, if and when it occurs, is not expected to have a material impact on our Company's consolidated financial statements. Furthermore, under current market conditions, we do not believe that a revision will trigger an impairment analysis for our Company's long lived assets. A revision to the estimate of proven and probable reserves, when and if it occurs, will be accounted for on a prospective basis and will impact those items that are amortized via the units of production method; specifically property and equipment and deferred revenue.

Summary of Reserve Estimates

A summary of the Johnson Camp proven and probable reserves as of December 31, 2010 are presented in the table below. Further details on the Johnson Camp property can be found in the Technical Report.

Johnson Camp Mine Summary of Proven and Probable Reserves

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

Notes:

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

- The internal cutoff grade used in the reserve analysis was 0.063 – 0.069 percent total copper (depending on rock type). All inferred resource blocks were treated as waste, regardless of their estimated copper grade.
- No new resource or reserve estimates were performed in the calendar year 2010; therefore, these reserves were calculated by subtracting the material volumes reported as mined in 2010.

Rom Leach Reserves

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

Other Mineralized Material

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

Drilling

Initial Drill Hole Database

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

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

Further Exploratory Drilling

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

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