

PEARSON PLC
Form 6-K
December 01, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the month of December 2017

PEARSON plc

(Exact name of registrant as specified in its charter)

N/A

(Translation of registrant's name into English)

80 Strand

London, England WC2R 0RL

44-20-7010-2000

(Address of principal executive office)

Indicate by check mark whether the Registrant files or will file annual reports
under cover of Form 20-F or Form 40-F:

Form 20-F X

Form 40-F

Indicate by check mark whether the Registrant by furnishing the information
contained in this Form is also thereby furnishing the information to the

Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934

Yes No

Transactions in own shares

Pearson plc (the Company) announces today it has purchased the following number of its ordinary shares of 25 pence each on the London Stock Exchange from J.P. Morgan Securities plc.

Date of purchase:	01 December 2017
Aggregate number of ordinary shares of 25 pence each purchased:	323,623
Lowest price paid per share (GBp)	704.5000
Highest price paid per share (GBp)	719.5000
Average price paid per share (GBp)	713.0791

The Company will cancel the purchased shares.

These share purchases form part of the Company's existing buy-back programme which is expected to be completed over the period from 18 October 2017 to 26 April 2018, details of which were announced on 17 October 2017.

The table below contains detailed information of the individual trades made by J.P. Morgan Securities plc as part of the buyback programme.

Schedule of Purchases

Shares purchased: Pearson plc (ISIN: GB0006776081)

Date of purchases: 01 December 2017

Investment firm: J.P. Morgan Securities plc

Aggregate information:

Venue	Volume-weighted average price (GBp)	Aggregated volume	Lowest price per share (GBp)	Highest price per share (GBp)
London Stock Exchange	713.0791	323,623	704.5000	719.5000

Individual transactions

Volume Price (GBp)

Transaction Reference Number

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Transaction Date and Time			Trading Venue	
01-Dec-2017 08:02:15	402	705.0000	XLON	84403844000001800-E0XoSHfJjfiX20171201
01-Dec-2017 08:02:15	329	705.0000	XLON	84403844000001800-E0XoSHfJjfid20171201
01-Dec-2017 08:03:58	804	706.0000	XLON	84203842000002196-E0XoSHfJjhUg20171201
01-Dec-2017 08:05:21	752	705.5000	XLON	84403844000002622-E0XoSHfJjitx20171201
01-Dec-2017 08:05:21	16	705.5000	XLON	84403844000002622-E0XoSHfJjitz20171201
01-Dec-2017 08:08:12	523	707.0000	XLON	84403844000003230-E0XoSHfJjnFn20171201
01-Dec-2017 08:08:41	877	707.0000	XLON	84203842000003289-E0XoSHfJjny420171201
01-Dec-2017 08:10:32	859	706.5000	XLON	84203842000003745-E0XoSHfJjqTi20171201
01-Dec-2017 08:10:33	1178	706.0000	XLON	84403844000003188-E0XoSHfJjqUN20171201
01-Dec-2017 08:12:01	893	706.0000	XLON	84203842000004235-E0XoSHfJjspm20171201
01-Dec-2017 08:12:04	816	705.5000	XLON	84403844000004302-E0XoSHfJjsww20171201
01-Dec-2017 08:12:04	402	705.5000	XLON	84403844000004302-E0XoSHfJjswy20171201
01-Dec-2017 08:13:41	1644	705.0000	XLON	84203842000004615-E0XoSHfJjv5G20171201
01-Dec-2017 08:13:42	588	704.5000	XLON	84403844000004671-E0XoSHfJjvAG20171201
01-Dec-2017 08:13:42	310	704.5000	XLON	84403844000004671-E0XoSHfJjvAI20171201
01-Dec-2017 08:15:21	712	704.5000	XLON	84403844000005129-E0XoSHfJjxmE20171201
01-Dec-2017 08:15:21	92	704.5000	XLON	84403844000005129-E0XoSHfJjxmC20171201
01-Dec-2017 08:17:03	804	705.5000	XLON	84403844000005701-E0XoSHfJk11p20171201
01-Dec-2017 08:28:08	135	707.5000	XLON	84203842000008981-E0XoSHfJkFn020171201
01-Dec-2017 08:28:08	656	707.5000	XLON	84203842000008981-E0XoSHfJkFn220171201
01-Dec-2017 08:28:12	722	708.0000	XLON	84203842000009005-E0XoSHfJkFtq20171201
01-Dec-2017 08:31:06	280	709.0000	XLON	84403844000009534-E0XoSHfJkISp20171201
01-Dec-2017 08:31:06	665	709.0000	XLON	84403844000009534-E0XoSHfJkISt20171201
01-Dec-2017 08:31:06	773	709.0000	XLON	84403844000009534-E0XoSHfJkISr20171201

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01-Dec-2017 08:33:37	1781	709.0000	XLON	84203842000010370-E0XoSHfJkMUw20171201
01-Dec-2017 08:33:37	287	709.0000	XLON	84203842000010370-E0XoSHfJkMV120171201
01-Dec-2017 08:36:57	1402	708.0000	XLON	84203842000011459-E0XoSHfJkTjo20171201
01-Dec-2017 08:38:28	610	707.5000	XLON	84403844000011772-E0XoSHfJkWXX20171201
01-Dec-2017 08:38:28	1982	708.0000	XLON	84203842000011658-E0XoSHfJkWX320171201
01-Dec-2017 08:38:28	117	708.0000	XLON	84203842000011469-E0XoSHfJkWX120171201
01-Dec-2017 08:38:28	1441	708.0000	XLON	84203842000011469-E0XoSHfJkWWy20171201
01-Dec-2017 08:45:21	301	707.5000	XLON	84203842000013161-E0XoSHfJkhA520171201
01-Dec-2017 08:45:21	442	707.5000	XLON	84403844000013153-E0XoSHfJkhAN20171201
01-Dec-2017 08:45:21	301	707.5000	XLON	84403844000013153-E0XoSHfJkhAJ20171201
01-Dec-2017 08:45:56	95	707.0000	XLON	84203842000012821-E0XoSHfJkhs20171201
01-Dec-2017 08:45:56	756	707.0000	XLON	84203842000012821-E0XoSHfJkhsx20171201
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01-Dec-2017 08:50:38	249	707.0000	XLON	84403844000013609-E0XoSHfJkmnJ20171201
01-Dec-2017 08:50:38	3012	707.0000	XLON	84203842000013871-E0XoSHfJkmob20171201
01-Dec-2017 08:50:38	1082	707.0000	XLON	84403844000013609-E0XoSHfJkmne20171201
01-Dec-2017 08:58:01	766	708.0000	XLON	84403844000014994-E0XoSHfJkuTI20171201
01-Dec-2017 08:58:01	877	708.0000	XLON	84403844000014870-E0XoSHfJkuTE20171201
01-Dec-2017 09:01:04	1562	708.0000	XLON	84203842000015228-E0XoSHfJkxW720171201
01-Dec-2017 09:01:04	1375	708.0000	XLON	84403844000015578-E0XoSHfJkxWK20171201
01-Dec-2017 09:04:39	734	708.5000	XLON	84403844000016848-E0XoSHfJl3My20171201
01-Dec-2017 09:05:56	988	708.0000	XLON	84403844000016828-E0XoSHfJl5Jd20171201
01-Dec-2017 09:14:09	1111	708.5000	XLON	84203842000018907-E0XoSHfJlF6j20171201
01-Dec-2017 09:17:24	2005	708.5000	XLON	84403844000019786-E0XoSHfJlItP20171201
01-Dec-2017 09:19:04	75	708.5000	XLON	84403844000020289-E0XoSHfJlKwh20171201
	963	709.5000	XLON	84403844000021075-E0XoSHfJlPPI20171201

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01-Dec-2017 09:21:49				
01-Dec-2017 09:21:53	1143	709.5000	XLON	84403844000021090-E0XoSHfJIPTI20171201
01-Dec-2017 09:25:52	978	710.0000	XLON	84403844000022667-E0XoSHfJIUyC20171201
01-Dec-2017 09:25:52	978	710.0000	XLON	84203842000022952-E0XoSHfJIUyH20171201
01-Dec-2017 09:27:05	1085	710.0000	XLON	84203842000023373-E0XoSHfJIWX320171201
01-Dec-2017 09:29:10	1746	709.5000	XLON	84203842000024339-E0XoSHfJIYbr20171201
01-Dec-2017 09:29:45	815	710.0000	XLON	84403844000024168-E0XoSHfJIZBu20171201
01-Dec-2017 09:37:09	1983	710.5000	XLON	84203842000027197-E0XoSHfJliCV20171201
01-Dec-2017 09:41:11	805	710.5000	XLON	84403844000027610-E0XoSHfJlmdv20171201
01-Dec-2017 09:41:11	1293	710.5000	XLON	84203842000028274-E0XoSHfJlmdp20171201
01-Dec-2017 09:42:55	2028	711.0000	XLON	84403844000028174-E0XoSHfJloEE20171201
01-Dec-2017 09:49:32	2166	711.5000	XLON	84203842000030561-E0XoSHfJltk520171201
01-Dec-2017 09:52:33	1779	711.0000	XLON	84203842000029945-E0XoSHfJlwjB20171201
01-Dec-2017 09:58:29	731	711.5000	XLON	84403844000032543-E0XoSHfJm1ZI20171201
01-Dec-2017 10:02:00	779	711.5000	XLON	84203842000034141-E0XoSHfJm4lx20171201
01-Dec-2017 10:02:00	315	711.5000	XLON	84203842000034141-E0XoSHfJm4lG20171201
01-Dec-2017 10:03:45	394	711.5000	XLON	84403844000033950-E0XoSHfJm6YS20171201
01-Dec-2017 10:04:20	212	711.5000	XLON	84403844000034042-E0XoSHfJm71N20171201
01-Dec-2017 10:04:20	153	711.5000	XLON	84403844000034042-E0XoSHfJm71L20171201
01-Dec-2017 10:12:26	824	712.0000	XLON	84403844000035535-E0XoSHfJmEOZ20171201
01-Dec-2017 10:12:26	769	712.0000	XLON	84403844000035539-E0XoSHfJmEOQ20171201
01-Dec-2017 10:12:26	92	712.0000	XLON	84403844000035710-E0XoSHfJmEOX20171201
01-Dec-2017 10:12:26	1087	712.0000	XLON	84203842000036623-E0XoSHfJmEOd20171201
01-Dec-2017 10:12:26	786	712.0000	XLON	84403844000035710-E0XoSHfJmEOS20171201
01-Dec-2017 10:12:26	867	712.0000	XLON	84203842000036625-E0XoSHfJmEOf20171201
	1008	712.0000	XLON	84203842000036456-E0XoSHfJmEOb20171201

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01-Dec-2017 10:12:26				
01-Dec-2017 10:23:09	687	713.0000	XLON	84403844000037052-E0XoSHfJmPTI20171201
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01-Dec-2017 10:23:14	737	713.0000	XLON	84203842000038658-E0XoSHfJmPXH20171201
01-Dec-2017 10:23:14	734	713.0000	XLON	84403844000038155-E0XoSHfJmPXJ20171201
01-Dec-2017 10:23:14	899	713.0000	XLON	84403844000038157-E0XoSHfJmPXL20171201
01-Dec-2017 10:23:14	1073	713.0000	XLON	84203842000039145-E0XoSHfJmPXB20171201
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01-Dec-2017 10:25:10	189	711.5000	XLON	84403844000038471-E0XoSHfJmRfm20171201
01-Dec-2017 10:25:10	2399	711.5000	XLON	84403844000038471-E0XoSHfJmRfh20171201
01-Dec-2017 10:25:32	77	711.5000	XLON	84403844000038471-E0XoSHfJmS3V20171201
01-Dec-2017 10:27:15	544	711.5000	XLON	84403844000038471-E0XoSHfJmT9t20171201
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01-Dec-2017 10:27:40	49	711.5000	XLON	84203842000039676-E0XoSHfJmTfo20171201
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01-Dec-2017 10:29:20	569	712.0000	XLON	84403844000039181-E0XoSHfJmV3i20171201
01-Dec-2017 10:29:20	876	711.5000	XLON	84203842000040018-E0XoSHfJmV4J20171201
01-Dec-2017 10:29:20	803	711.5000	XLON	84203842000040014-E0XoSHfJmV4H20171201
01-Dec-2017 10:35:19	621	711.5000	XLON	84403844000040901-E0XoSHfJmbPD20171201
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	57	711.5000	XLON	84403844000041031-E0XoSHfJmboX20171201

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01-Dec-2017 10:36:00				
01-Dec-2017 10:36:00	108	711.5000	XLON	84403844000041031-E0XoSHfJmboV20171201
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01-Dec-2017 10:37:35	731	711.0000	XLON	84203842000040633-E0XoSHfJmd3t20171201
01-Dec-2017 10:37:50	1097	710.0000	XLON	84403844000041451-E0XoSHfJmdTB20171201
01-Dec-2017 10:39:39	650	709.0000	XLON	84203842000042778-E0XoSHfJmfI220171201
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01-Dec-2017 10:45:04	691	709.0000	XLON	84403844000043352-E0XoSHfJmlx520171201
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01-Dec-2017 10:46:00	60	709.0000	XLON	84203842000044578-E0XoSHfJmmSg20171201
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01-Dec-2017 10:47:40	214	709.0000	XLON	84403844000044682-E0XoSHfJmoLn20171201
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01-Dec-2017 10:56:17	805	708.5000	XLON	84203842000047134-E0XoSHfJn1fA20171201
01-Dec-2017 10:57:40	420	708.0000	XLON	84403844000047004-E0XoSHfJn3x020171201
01-Dec-2017 10:59:20	860	708.0000	XLON	84203842000047826-E0XoSHfJn5qA20171201
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	891	708.0000	XLON	84403844000048317-E0XoSHfJnJWX20171201

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01-Dec-2017 11:13:36				
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01-Dec-2017 11:14:41	773	708.0000	XLON	84203842000050596-E0XoSHfJnKs520171201
01-Dec-2017 11:21:59	3003	708.5000	XLON	84403844000051335-E0XoSHfJnPld20171201
01-Dec-2017 11:28:54	571	710.0000	XLON	84403844000052586-E0XoSHfJnUoF20171201
01-Dec-2017 11:29:44	750	710.0000	XLON	84403844000052736-E0XoSHfJnVmQ20171201
01-Dec-2017 11:29:44	201	710.0000	XLON	84403844000052736-E0XoSHfJnVmS20171201
01-Dec-2017 11:31:00	646	710.0000	XLON	84203842000053511-E0XoSHfJnWO720171201
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01-Dec-2017 11:32:40	254	710.0000	XLON	84203842000054032-E0XoSHfJnXUR20171201
01-Dec-2017 11:32:40	661	710.0000	XLON	84203842000054032-E0XoSHfJnXUT20171201
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01-Dec-2017 11:41:06	263	712.0000	XLON	84203842000055724-E0XoSHfJneWU20171201
01-Dec-2017 11:44:02	44	712.5000	XLON	84403844000055518-E0XoSHfJngSM20171201
01-Dec-2017 11:44:02	235	712.5000	XLON	84403844000055518-E0XoSHfJngSK20171201
01-Dec-2017 11:44:03	2013	712.5000	XLON	84203842000056103-E0XoSHfJngT920171201
01-Dec-2017 11:47:23	744	712.5000	XLON	84203842000056884-E0XoSHfJnid620171201
01-Dec-2017 11:47:40	466	712.5000	XLON	84203842000057031-E0XoSHfJnilf20171201
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01-Dec-2017 11:52:28	755	712.5000	XLON	84403844000057655-E0XoSHfJnluM20171201
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01-Dec-2017 11:59:24	569	713.0000	XLON	84203842000059801-E0XoSHfJnrgi20171201
	454	713.0000	XLON	84203842000059801-E0XoSHfJns3S20171201

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01-Dec-2017 11:59:41				
01-Dec-2017 12:03:03	475	714.0000	XLON	84203842000061285-E0XoSHfJnvrA20171201
01-Dec-2017 12:03:03	330	714.0000	XLON	84203842000061285-E0XoSHfJnvr420171201
01-Dec-2017 12:04:21	774	714.5000	XLON	84203842000061613-E0XoSHfJnwzB20171201
01-Dec-2017 12:06:11	950	714.5000	XLON	84203842000061877-E0XoSHfJnyfp20171201
01-Dec-2017 12:07:41	378	715.5000	XLON	84403844000061536-E0XoSHfJo0MP20171201
01-Dec-2017 12:07:41	500	715.5000	XLON	84403844000061536-E0XoSHfJo0MR20171201
01-Dec-2017 12:15:48	2075	715.5000	XLON	84403844000062826-E0XoSHfJo7Lv20171201
01-Dec-2017 12:20:34	686	716.5000	XLON	84403844000063626-E0XoSHfJoAff20171201
01-Dec-2017 12:20:34	750	716.5000	XLON	84403844000063626-E0XoSHfJoAfj20171201
01-Dec-2017 12:20:34	28	716.5000	XLON	84403844000063626-E0XoSHfJoAfh20171201
01-Dec-2017 12:20:34	257	716.5000	XLON	84403844000063626-E0XoSHfJoAfl20171201
01-Dec-2017 12:22:41	788	716.5000	XLON	84203842000064925-E0XoSHfJoCDh20171201
01-Dec-2017 12:26:02	942	717.0000	XLON	84203842000065594-E0XoSHfJoFNG20171201
01-Dec-2017 12:26:02	7	717.0000	XLON	84203842000065594-E0XoSHfJoFNI20171201
01-Dec-2017 12:28:08	949	717.5000	XLON	84403844000065085-E0XoSHfJoGlj20171201
01-Dec-2017 12:28:15	732	717.0000	XLON	84203842000065830-E0XoSHfJoGvV20171201
01-Dec-2017 12:33:40	736	718.5000	XLON	84203842000067082-E0XoSHfJoKLj20171201
01-Dec-2017 12:33:40	750	718.5000	XLON	84203842000067081-E0XoSHfJoKLh20171201
01-Dec-2017 12:33:40	771	718.5000	XLON	84203842000067080-E0XoSHfJoKLa20171201
01-Dec-2017 12:37:01	120	718.5000	XLON	84403844000066796-E0XoSHfJoND620171201
01-Dec-2017 12:37:05	733	718.5000	XLON	84403844000066807-E0XoSHfJoNEI20171201
01-Dec-2017 12:39:27	950	719.0000	XLON	84403844000067070-E0XoSHfJoOT120171201
01-Dec-2017 12:39:27	554	719.0000	XLON	84203842000067968-E0XoSHfJoOTG20171201
01-Dec-2017 12:39:27	396	719.0000	XLON	84203842000067968-E0XoSHfJoOTI20171201
	156	719.0000	XLON	84203842000068180-E0XoSHfJoPQI20171201

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01-Dec-2017 12:41:07				
01-Dec-2017 12:41:07	795	719.0000	XLON	84203842000068180-E0XoSHfJoPQK20171201
01-Dec-2017 12:42:42	113	719.0000	XLON	84403844000067554-E0XoSHfJoQQ520171201
01-Dec-2017 12:43:11	750	719.5000	XLON	84403844000067621-E0XoSHfJoQka20171201
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01-Dec-2017 12:44:55	732	719.5000	XLON	84403844000067904-E0XoSHfJoS9r20171201
01-Dec-2017 12:47:56	1338	718.5000	XLON	84203842000069010-E0XoSHfJoU3B20171201
01-Dec-2017 12:49:19	700	718.0000	XLON	84403844000068135-E0XoSHfJoUf120171201
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01-Dec-2017 12:54:35	909	718.5000	XLON	84403844000069964-E0XoSHfJoZWD20171201
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01-Dec-2017 12:59:22	673	717.0000	XLON	84203842000072029-E0XoSHfJodtg20171201
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01-Dec-2017 12:59:24	483	716.5000	XLON	84203842000072044-E0XoSHfJoe0520171201
01-Dec-2017 12:59:24	321	716.5000	XLON	84203842000072044-E0XoSHfJoe1c20171201
01-Dec-2017 13:02:41	757	716.5000	XLON	84403844000072140-E0XoSHfJogxb20171201
	750	716.5000	XLON	84203842000072967-E0XoSHfJoh1y20171201

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01-Dec-2017 13:02:45				
01-Dec-2017 13:04:26	36	717.0000	XLON	84203842000073266-E0XoSHfJoi2820171201
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01-Dec-2017 13:06:12	243	717.0000	XLON	84203842000073550-E0XoSHfJojSz20171201
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01-Dec-2017 13:19:06	154	718.0000	XLON	84203842000075575-E0XoSHfJoumC20171201
01-Dec-2017 13:19:06	787	718.0000	XLON	84403844000074940-E0XoSHfJouma20171201
01-Dec-2017 13:19:06	731	718.0000	XLON	84203842000075574-E0XoSHfJoumA20171201
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01-Dec-2017 13:21:48	418	718.0000	XLON	84403844000075341-E0XoSHfJoxS620171201
01-Dec-2017 13:21:48	309	718.0000	XLON	84403844000075341-E0XoSHfJoxS420171201
01-Dec-2017 13:21:48	214	718.0000	XLON	84403844000075341-E0XoSHfJoxS820171201
01-Dec-2017 13:24:42	294	718.0000	XLON	84403844000075825-E0XoSHfJozJE20171201
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01-Dec-2017 13:29:55	1200	718.0000	XLON	84203842000077670-E0XoSHfJp4Eg20171201
01-Dec-2017 13:29:55	750	718.0000	XLON	84203842000077670-E0XoSHfJp4Ee20171201
01-Dec-2017 13:30:15	154	717.5000	XLON	84403844000074982-E0XoSHfJp4fC20171201
01-Dec-2017 13:30:15	477	717.5000	XLON	84403844000074982-E0XoSHfJp4fE20171201
01-Dec-2017 13:30:15	100	717.5000	XLON	84403844000074982-E0XoSHfJp4fA20171201
01-Dec-2017 13:30:15	618	717.5000	XLON	84403844000076382-E0XoSHfJp4fU20171201
	167	717.5000	XLON	84403844000076382-E0XoSHfJp4fS20171201

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01-Dec-2017 13:30:15				
01-Dec-2017 13:30:15	932	717.5000	XLON	84403844000076657-E0XoSHfJp4fW20171201
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01-Dec-2017 13:34:23	788	717.5000	XLON	84403844000077889-E0XoSHfJp89120171201
01-Dec-2017 13:36:03	493	717.5000	XLON	84403844000078360-E0XoSHfJpA9K20171201
01-Dec-2017 13:36:03	750	717.5000	XLON	84403844000078360-E0XoSHfJpA9Q20171201
01-Dec-2017 13:36:03	61	717.5000	XLON	84403844000078360-E0XoSHfJpA9M20171201
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01-Dec-2017 13:40:50	1424	718.0000	XLON	84403844000079372-E0XoSHfJpESn20171201
01-Dec-2017 13:41:05	966	718.0000	XLON	84403844000079441-E0XoSHfJpEZL20171201
01-Dec-2017 13:42:48	731	717.5000	XLON	84203842000080438-E0XoSHfJpG2h20171201
01-Dec-2017 13:46:03	444	717.5000	XLON	84403844000080147-E0XoSHfJpJ4P20171201
01-Dec-2017 13:46:03	516	717.5000	XLON	84403844000080147-E0XoSHfJpJ4N20171201
01-Dec-2017 13:46:03	804	717.5000	XLON	84203842000080755-E0XoSHfJpJ4W20171201
01-Dec-2017 13:46:03	63	717.5000	XLON	84403844000080147-E0XoSHfJpJ4U20171201
01-Dec-2017 13:46:52	950	718.0000	XLON	84403844000080621-E0XoSHfJpJfR20171201
01-Dec-2017 13:49:49	951	718.0000	XLON	84403844000081289-E0XoSHfJpLOo20171201
01-Dec-2017 13:50:40	732	717.5000	XLON	84403844000080815-E0XoSHfJpLrv20171201
01-Dec-2017 13:52:39	268	718.0000	XLON	84203842000082690-E0XoSHfJpNeD20171201
01-Dec-2017 13:52:39	56	issued, will entitle the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2012 at a price of \$1.10 per share. The warrants are governed by a warrant indenture between the company and Computershare Trust Company of Canada dated June 5, 2007.		

(5)

The selling stockholder has identified Michael Seveny, President of Greenforco Holding Corporation as the individual who has voting and investment power over these shares.

(6)

The selling stockholder has identified Dr. Milton Cohen, President of Arm Investments Ltd. as the individual who has voting and investment power over these shares.

(7)

The selling stockholder has identified Eileen Cohen, Executive Assistant of D&R Managment Services as the individual who has voting and investment power over these shares.

(8)

The selling stockholder has identified John Derby, President of Tangocorp Inc. as the individual who has voting and investment power over these shares.

(9)

The selling stockholder has identified Jeff Sackman, President of 1239480 Ontario Inc. as the individual who has voting and investment power over these shares.

(10)

The selling stockholder has identified Ted Manzians, President of 2014498 Ontario Ltd. as the individual who has voting and investment power over these

shares.

(11)

The selling stockholder has identified John Pontanni, President of 1056855 Ontario Ltd. as the individual who has voting and investment power over these shares.

(12)

The selling stockholder has identified Allan Ringler, President of Allan Ringler Services as the individual who has voting and investment power over these shares.

(13)

The selling stockholder has identified Jim Morrison, Trustee of Morrison Family Trust as the individual who has voting and investment power over these shares.

(14)

The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(15)

The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(16)

The selling stockholder has identified Kirstin McTaggart, Chief

Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(17)

The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(18)

The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(19)

The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(20)

The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(21)

The selling stockholder has identified Kirstin McTaggart, Chief Compliance Officer of Sprott Asset Management as the individual who has voting and investment power over these shares.

(22)

The selling stockholder has identified Malvin Spooner, Portfolio Manager of Mavrix as the individual who has voting and investment power over these shares.

(23)

The selling stockholder has identified Malvin Spooner, Portfolio Manager of Mavrix as the individual who has voting and investment power over these shares.

(24)

The selling stockholder has identified Thomas B. Winmill, President of Foxby Corp. as the individual who has voting and investment power over these shares.

(25)

The selling stockholder has identified Christopher Beer, Vice President of RBC Global Resources Fund as the individual who has voting and investment power over these shares. Representatives of this security holder have advised us that this security holder is an affiliate of a U.S. registered broker-dealer; however, this security holder acquired the securities in the ordinary course of business and, at the time of the acquisition, had no agreements or understandings, directly or indirectly, with any party to distribute the securities.

(26)

The selling stockholder has identified Eric Wood, Vice President of Wexford Spectrum Trading as the individual who has

voting and investment power over these shares.

(27)

The selling stockholder has identified Eric Wood, Vice President of Wexford Spectrum Trading as the individual who has voting and investment power over these shares.

(28)

The selling stockholder has identified Ryan Sharif, Portfolio Manager of Asset Logics Special Situations Fund as the individual who has voting and investment power over these shares.

(29)

The selling stockholder has identified Terrence P. Duffy, Portfolio Manager of Lionhart Investments Ltd. as the individual who has voting and investment power over these shares.

(30)

The selling stockholder has identified Martin Braun, Portfolio Manager of Adaly Opportunity Fund as the individual who has voting and investment power over these shares.

(31)

The selling stockholder has identified Rick Kung, President of 2035718 Ontario Inc. as the individual who has voting and investment power over these shares.

(32)

The selling stockholder has identified Martin Braun, Portfolio Manager of The Strategic Opportunities Master Fund L.P. as the individual who has voting and investment power over these shares.

(33)

The selling stockholder has identified Jean Blanchette, Portfolio Manager of Libra Fund L.P. as the individual who has voting and investment power over these shares.

- 61 -

- (34) The selling stockholder has identified Jean Blanchette, Portfolio Manager of Libra Fund L.P. as the individual who has voting and investment power over these shares.
- (35) The selling stockholder has identified Glem Macneil, Vice President of Sentry Select Precious Metals & Mining Trust as the individual who has voting and investment power over these shares.
- (36) The selling stockholder has identified Glem Macneil, Vice President of Sentry Select Precious Metals & Mining Trust as the individual who has voting and investment power over these shares.
- (37) The selling stockholder has identified Dirk Simmons, Director of Moore Canada Fund (Master), L.P. as the individual who has voting and investment power over these shares.
- (38) The selling stockholder has identified Craig King, Director of Blackmont Capital Inc. as the individual who has voting and investment power over these shares. Blackmont Capital acquired the securities as compensation for investment banking services and is affiliated with a U.S. registered broker-dealer. In connection with the investment banking services rendered, Blackmont Capital only conducted underwriting activities outside of the United States. Underwriting activities in the United States were conducted by registered broker-dealers. In connection with our unregistered private placement of special warrants in June 2007, we entered into an agency agreement with Blackmont Capital and Salman Partners pursuant to which we paid a cash commission of 6% of the gross proceeds realized from the sale of the special warrants and issued an aggregate of 1,840,002 stock options to the Blackmont Capital and Salman Partners. Blackmont Capital and Salman Partners are at arm's length to each other.
- (39) Represents shares of common stock issuable by our company upon exercise of the agent's compensation options issued as partial consideration for services rendered by the placement agents in connection with the unregistered private placement of special warrants. Each agent's compensation option entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2009 at a price of \$0.75 per share.
- (40) The selling stockholder has identified Terry Salman, Director of Salman Partners Inc. as the individual who has voting and investment power over these shares. Salman Partners acquired the securities as compensation for investment banking services and is affiliated with a U.S. registered broker-dealer. In connection with the investment banking services rendered, Salman Partners only conducted underwriting activities outside of the United States. Underwriting activities in the United States were conducted by registered broker-dealers. As indicated in note (38), Salman Partners is a party to the agency agreement entered into by our company in connection with the unregistered private placement of special warrants.
- (41) Represents shares of common stock issuable by our company upon exercise of the agent's compensation options issued as partial consideration for services rendered by the placement agents in connection with the unregistered private placement of special warrants. Each agent's compensation option entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2009 at a price of \$0.75 per share.
- (42) The selling stockholder has identified Justin Sullivan, Chief Operating Officer of Aurmet Trading, LLC as the individual who has voting and investment power over these shares.
- (43) Represents 2,106,410 outstanding shares of common stock, and 462,230 shares of common stock issuable by our company upon exercise of the following common stock purchase warrants: (a) 25,000 common stock purchase warrants issued in connection with the extension of the maturity date of a secured bridge loan by Nedbank Limited in the principal amount of \$3,900,000, dated November 8, 2005, with each warrant entitling the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on May 15, 2008, at an exercise price of \$1.00 per share; (b) 250,000 common stock purchase warrants issued in connection with an additional \$1,000,000 advance by the selling stockholder on May 31, 2006 that was added to the principal amount of the secured bridge loan by Nedbank, with each warrant entitling the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on May 31, 2008, at an exercise price of \$1.15 per share; (c) 61,230 common stock purchase warrants issued in connection with the extension of maturity date of the secured bridge loan by Nedbank, with each warrant entitling the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on September 30, 2008, at an exercise price of \$0.83 per share; and (d) 126,000 common stock purchase warrants issued in connection with the extension of maturity date of the secured bridge loan by Nedbank, and an increase of the principal amount of the bridge loan to \$5,000,000 effective September 30, 2006, with each warrant entitling the holder to purchase one share of our common stock until 5:00 p.m.

(Central time) on September 30, 2008, at an exercise price of \$0.66 per share. Auramet Trading participated in this \$3,900,000 bridge loan by Nedbank through the contribution of \$1,000,000 outstanding under an earlier bridge loan arranged by Auramet Trading in the principal amount of \$2,850,000 and dated October 17, 2005, but is at arm's length from Nedbank.

- (44) Represents 506,410 outstanding shares of common stock, and the 462,230 shares of common stock issuable by our company upon exercise of the common stock purchase warrants described in note (43) above.
- (45) The selling stockholder has identified Clive Stewart, Head of Corporate Banking, London, of Nedbank Limited as the individual who has voting and investment power over these shares.
- (46) Represents shares of common stock issuable by our company upon exercise of the following common stock purchase warrants: (a) 743,590 common stock purchase warrants issued in connection with a secured bridge loan by the selling stockholder in the principal amount of \$3,900,000 dated November 8, 2005, with each warrant entitling the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on May 8, 2008, at an exercise price of \$0.88 per share; (b) 75,000 common stock purchase warrants issued in connection with the extension of the maturity date of the secured bridge loan by the selling stockholder, with each warrant entitling the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on May 15, 2008, at an exercise price of \$1.00 per share; (c) 88,770 common stock purchase warrants issued in connection with the extension of maturity date of the secured bridge loan by the selling stockholder, with each warrant entitling the holder to purchase one share of our common stock until 5:00

- p.m. (Central time) on September 30, 2008, at an exercise price of \$0.83 per share; and (d) 174,000 common stock purchase warrants issued in connection with the extension of maturity date of the secured bridge loan by the selling stockholder, and an increase of the principal amount of the bridge loan to \$5,000,000 effective September 30, 2006, with each warrant entitling the holder to purchase one share of our common stock until 5:00 p.m. (Central time) on September 30, 2008, at an exercise price of \$0.66 per share.
- (47) Represents 250,000 outstanding shares of common stock issued, and an additional 250,000 shares of common stock issuable upon exercise of warrants issued, pursuant to a settlement agreement and general release dated April 22, 2005 with the selling stockholder, who is a former chief executive officer of our company. Each warrant entitles the holder to purchase one share of our common stock until April 22, 2008, at an exercise price of \$0.50 per share.
- (48) Includes 1,130,000 shares of common stock issuable upon exercise of warrants issued to Mr. Hirsch in connection with our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Stephen Seymour, each of which entitles the holder to purchase one share of common stock at an exercise price of \$0.25 for a period of three years. Also includes options to acquire up to 141,668 shares of common stock exercisable within 60 days. Of the 1,130,000 warrants issued to Mr. Hirsch pursuant to the revolving line of credit: 50,000 will expire on June 21, 2008; 50,000 will expire on June 29, 2008; 450,000 will expire on July 8, 2008; 200,000 will expire on August 1, 2008; 100,000 will expire on September 22, 2008; 30,000 will expire on October 5, 2008; 20,000 will expire on October 11, 2008; and 230,000 will expire on October 20, 2008.
- (49) Represents: (a) 130,000 outstanding shares of common stock issued to Mr. Hirsch on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$35,000 convertible promissory note dated June 29, 2004, as amended, at a conversion price of \$0.175 per share; (b) 337,458 outstanding shares of common stock issued to Mr. Hirsch on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$106,000 convertible promissory note dated October 4, 2004, as amended, at a conversion price of \$0.20 per share; (c) 1,130,000 outstanding shares of common stock issued pursuant to our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Stephen Seymour; and (d) 1,130,000 shares of common stock issuable upon exercise of the common stock purchase warrants described in note (11) above.
- (50) Includes warrants to acquire up to 1,130,000 shares of common stock issuable upon exercise of warrants issued to Mr. Seymour in connection with our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Stephen Seymour, each of which entitles the holder to purchase one share of common stock at an exercise price of \$0.25 for a period of three years. Also includes options to acquire up to 225,001 shares of common stock exercisable within 60 days, 1,575,000 outstanding shares of common stock held by Mr. Seymour as a co-trustee of a trust, 320,757 outstanding shares of common stock held jointly with his spouse, and 36,300 outstanding shares of common stock owned by his spouse. Mr. Seymour disclaims beneficial ownership of the 36,300 shares of common stock owned by his spouse. Of the 1,130,000 warrants issued to Mr. Seymour pursuant to the revolving line of credit: 50,000 will expire on June 21, 2008; 50,000 will expire on June 29, 2008; 450,000 will expire on July 8, 2008; 200,000 will expire on August 1, 2008; 100,000 will expire on September 22, 2008; 30,000 will expire on October 5, 2008; 20,000 will expire on October 11, 2008; and 230,000 will expire on October 20, 2008.
- (51) Represents: (a) 212,195 outstanding shares of common stock issued to Mr. Seymour on June 29, 2007 upon conversion of 50 percent of the outstanding principal and interest under a \$66,000 convertible promissory note dated August 19, 2004, as amended, at a conversion price of \$0.20 per share; (b) 1,130,000 outstanding shares of common stock issued pursuant to our secured \$600,000 revolving line of credit agreement with Mr. Hirsch and Mr. Seymour; and (c) 1,130,000 shares of common stock issuable upon exercise of common stock purchase warrants described in note (13) above.

Because a selling stockholder may offer by this prospectus all or some part of the common shares which it holds, no estimate can be given as of the date hereof as to the number of common shares actually to be offered for sale by a selling stockholder or as to the number of common shares that will be held by a selling stockholder upon the termination of such offering.

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A selling stockholder and any broker-dealers or agents that participate with that selling stockholder in the sale of the shares of common stock may be deemed to be underwriters: within the meaning of the Securities Act of 1933, as amended, in connection with these sales. In that event, any commissions received by the broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act of 1933, as amended.

- 63 -

MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS**Market Information**

Our common stock was traded on the New York Stock Exchange from September 1985 until November 18, 1999. Thereafter, it was traded on the Over-The-Counter Bulletin Board until May 31, 2001. Since then, it has been trading on the Pink Sheets, LLC under the symbol NRDS.PK. The following table sets forth, for the calendar periods indicated, the high and low closing sale price of our common stock on the Pink Sheets.

Price Ranges (high and low closing bid prices)

	2007		2006		2005	
1 st Quarter	\$ 0.45	1.18	\$ 0.26	0.64	\$ 0.25	0.41
2 nd Quarter	0.62	0.85	0.51	1.22	0.24	0.35
3 rd Quarter	0.65	1.55	0.72	0.95	0.23	0.32
4 th Quarter			0.70	1.23	0.23	0.33

The price ranges shown are based on Pink Sheet quotations. The sale prices may reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

Holders

The number of record holders of our common stock, \$0.01 par value, as of November 15, 2007 was 2,249.

Dividends

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

Equity Compensation Plans

On February 15, 2006, our board of directors adopted a new stock incentive plan, subject to obtaining stockholder approval (the Initial Stock Incentive Plan) and a related 2006 Deferred Stock Unit Plan for Directors (the DSU Plan and together with the Initial Stock Incentive Plan, the Plans). No awards were made under the Plans.

Subsequent to the adoption of the Plans, we became aware of recent changes to United States federal tax laws applicable to the Plans and engaged special tax counsel to review the Plans. Counsel recommended substantial revisions to the Plans to provide an appropriate mechanism for deferral of stock payments to directors in light of the recent changes to federal tax laws, and to clarify aspects of other awards that could be made under the Initial Stock Incentive Plan.

Due to the extensive nature of the revisions, our board of directors determined it to be appropriate to cancel the Plans, and to adopt a new stock incentive plan (which includes a subpart governing deferred stock units in lieu of the DSU Plan) (the 2006 Stock Incentive Plan) that supersedes and replaces in their entirety the Initial Stock Incentive Plan and DSU Plan. Our stockholders approved the 2006 Stock Incentive Plan at the annual general meeting of our shareholders held on October 18, 2006. The 2006

Stock Incentive Plan is described in more detail in amendment number 2 to our preliminary proxy statement filed on June 30, 2006 with the Securities and Exchange Commission on Schedule 14A.

A total of 6,000,000 shares of common stock have been reserved for issuance under all awards that may be granted under the 2006 Stock Incentive Plan. Eligible Participants who are entitled to participate in the 2006 Stock Incentive Plan consist of employees, directors and consultants of (a) our company or (b) any of the following entities: (i) any parent corporation as defined in section 424(e) of the Internal Revenue Code of 1986, as amended (the Code); (ii) any subsidiary corporation as defined in section 424(f) of the Code; or (iii) any business, corporation, partnership, limited liability company or other entity in which our company, a parent corporation or a subsidiary corporation holds a substantial ownership interest, directly or indirectly.

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

- (a) the Administrator will be a committee of the board of directors of our company appointed to act in such capacity, or otherwise, the board of directors itself;
- (b) each Award will be subject to a separate award agreement (an Award Agreement) to be executed by our company and the grantee (as defined below), which shall specify, among other things, the term of the Award; and
- (c) subject to applicable laws, including the rules of any applicable stock exchange or national market system, the Administrator will be authorized to grant any type of Award to an Eligible Participant (a Grantee) that is not inconsistent with the provisions of the 2006 Stock Incentive Plan, the specific terms and provisions of which will be set forth in an Award Agreement, that, by its terms, involves or may involve the issuance of: (i) shares of our common stock, (ii) an option to purchase shares of our common stock, (iii) a stock appreciation right entitling the Grantee to acquire such number of shares of common stock or such cash compensation as will be determined by reference to any appreciation in the value of our company's common stock, (iv) restricted stock issuable for such consideration (if any) and subject to such restrictions as may be established by the Administrator, (v) restricted stock units, subject to such restrictions as may be imposed by the Administrator, and represented by notional accounts maintained in the respective names of the Grantees that are valued solely by reference to shares of common stock of our company and payable in such shares only after the restrictions have lapsed, (vi) deferred stock units issuable to eligible directors in lieu of certain remuneration otherwise payable to such directors in shares of our common stock, subject to settlement in accordance with the terms and conditions of the Award and represented by notional accounts maintained in the respective names of the Grantees, (vii) dividend equivalent rights, which are rights entitling the Grantee to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock, (viii) any other security with the value derived from the value of our company's common stock, or (ix) any combination of the foregoing.

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

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

Under the 2006 Stock Incentive Plan, stock options may be granted as either incentive stock options under section 422 of the Code and the regulations thereunder or non-qualified stock options under section 83 of the Code.

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

There are 6,415,001 stock options outstanding at September 30, 2007, of which 3,715,001 are non-qualified, non-plan stock options and 2,700,000 have been issued pursuant to the company's 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2008 to 2017.

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

The following table provides a summary of the number of stock options and deferred stock units outstanding as at December 31, 2006.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	946,242 ⁽¹⁾	\$1.05 ⁽⁴⁾	5,053,7
Equity compensation plans not approved by security holders ⁽²⁾	2,124,998	\$0.69	N
Total⁽³⁾	3,071,240	\$0.79	5,053,7

(1) Includes 800,000 shares of our common stock reserved for issuance in connection with stock options granted under the 2006 Stock Incentive Plan, and 146,242 shares of common stock reserved for issuance in connection with deferred stock units granted to our company's non-executive directors under the 2006 Stock Incentive Plan.

(2) Consists of various agreements entered into on a stand-alone basis prior to the adoption of, or otherwise independent from, the 2006 Stock Incentive Plan.

(3) Includes certain options granted to executive officers pursuant to employment agreements described in more detail under the caption Employment Contracts and Termination of Employment and Change-In-Control Arrangements.

(4) The deferred stock units are disregarded for purposes of calculating the weighted average exercise price of outstanding options.

LEGAL PROCEEDINGS

Other than as set forth below, we know of no existing or pending legal proceedings against our company or its property, nor are we involved as a plaintiff in any existing or pending legal proceeding.

- 66 -

There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest. The outcome of open unresolved legal proceedings discussed below is presently indeterminable. Any settlement resulting from resolution of these contingencies will be accounted for in the period of settlement. We do not believe the likely outcome from these legal proceedings will significantly impact our financial position, operations or cash flows.

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

On September 7, 2002, the ADEQ issued a Compliance Order requiring our company to bring the Johnson Camp Mine into compliance with the aquifer protection laws of the State of Arizona. Pursuant to the Compliance Order, we entered into a stipulated judgment with the ADEQ which assessed civil penalties against us in the amount of \$4,325,000. The stipulated judgment can only be entered, and will only become payable by us, should a default notice issued pursuant to the Compliance Order not be cured within 60 days after notice is received. The Compliance Order further provides that any future violations of the aquifer protection laws of the State of Arizona would subject us to additional civil penalties, including the entry of the stipulated judgment which would require us to pay the civil penalty in the amount of \$4,325,000. To date, we have not received a default notice under the Compliance Order, and the stipulated judgment has not been entered against us.

In response to the Compliance Order, we applied \$1,500,000 in escrowed funds to environmental remediation activities at the Johnson Camp Mine, and to the preparation and filing of an Aquifer Protection Permit application with the ADEQ in June 2003. The ADEQ responded to the Aquifer Protection Permit application by letter dated September 2, 2003 which included a comprehensive list of specific deficiencies. We submitted a partial response on September 28, 2006, but could not provide certain financial assurances required by the ADEQ. In reply, the ADEQ issued an Administrative Review Notice dated May 18, 2007 which included, among other new items, the lack of the required financial assurances as a deficiency. We submitted a response on July 2, 2007, but due to technical reasons were unable to provide certain financial assurance in a form required by the ADEQ. On July 6, 2007 we received a notice of violation because financial assurance was not provided. We fully responded to the notice of violation on August 10, 2007 including documentation evidencing our submission of financial assurance submitted to the ADEQ on August 1, 2007. On August 15, 2007 we received a Notice of Administrative Completeness from the ADEQ which confirms that all components necessary for our Aquifer Protection Permit Application have been received by the ADEQ.

DIRECTORS AND OFFICERS

Directors and Executive Officers

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

Name and Municipality of Residence	Age	Current Office with Nord Resources Corporation	Director Since
Ronald A. Hirsch ⁽¹⁾ Laguna Beach, CA	64	Director and Chairman	September 7, 2000
John T. Perry ⁽²⁾ Tucson, AZ	41	President, Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer	June 11, 2007

Stephen D. Seymour
Baltimore, MD

65 Director

October 15, 2003

- 67 -

Name and Municipality of Residence	Age	Current Office with Nord Resources Corporation	Director Since
Douglas P. Hamilton North Chatham, MA	65	Director	February, 15, 2006
John F. Cook Roslin, ON, Canada	67	Director	February 15, 2006
T. Sean Harvey Toronto, ON, Canada	48	Director	June 11, 2007
Erland A. Anderson⁽³⁾ Tucson, AZ	64	Executive Vice President and Chief Operating Officer	N/A

- (1) Mr. Hirsch also held the position of Chief Executive Officer of the company until February 15, 2006.
- (2) Mr. Perry was appointed to the board of directors on June 11, 2007 and was appointed President and Chief Executive Officer of the company effective April 23, 2007.
- (3) Mr. Anderson was also President and a director of the company until February 15, 2006. Mr. Anderson was appointed Executive Vice President and Chief Operating Officer on February 15, 2006, and succeeded Mr. Nicholas Tintor as President and Chief Executive Officer, on an interim basis, on August 21, 2006. Mr. Tintor served as President and Chief Executive Officer from February 15, 2006 until August 21, 2006 and was succeeded by Mr. Anderson on an interim basis. On April 23, 2007, Mr. Anderson resigned as interim President and Chief Executive Officer and was reappointed Executive Vice President and Chief Operating Officer.

The following is a description of the business background of the directors and executive officers of our company.

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

John T. Perry Mr. Perry has been a director of our company since June 11, 2007 and President and Chief Executive Officer since April 23, 2007. Mr. Perry was appointed as our Senior Vice President and Chief Financial Officer on April 1, 2005 and Secretary and Treasurer in September 2005. Mr. Perry has over 17 years (1989 to present) of mining and metals industry experience. Before joining our company, Mr. Perry was Vice President and director with CB Richard Ellis, International Mining and Metals Group from December 2003 to August 2005. Prior to that, he held various positions with BHP Billiton and BHP Copper Inc., including Vice President, Finance with BHP Billiton s Base Metals Division from August 2002 to November 2003, President, BHP Copper, Inc. from August 1999 to August 2002, and Vice President, Finance and Administration for BHP Copper, Inc. He is a Certified Public Accountant and holds an undergraduate degree in Accounting and Finance as well as an MBA from the University of Arizona.

Stephen D. Seymour Mr. Seymour has been a director of our company since October 15, 2003. He has over 30 years of experience in sales, marketing and finance. Mr. Seymour has owned and been employed by Rockland Investments since 1986. He spent 15 years with Westinghouse Broadcasting where he was head of all television sales

and marketing and a member of the board of the Broadcasting Division. Since 1980, he has specialized in leveraged buy outs, turn-around situations and under-managed and under-capitalized ventures. Mr. Seymour holds an undergraduate degree from Rutgers University and Master of Business Administration degree from Columbia University.

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

John F. Cook Mr. Cook has been a director of our company since February 15, 2006. Prior to that, for the previous five years and currently, Mr. Cook has been the President of Tormin Resources Limited, a private company providing consulting services to the mining industry. Mr. Cook brings to Nord more than 40 years of experience in the operations and management of mining companies. His positions included Senior Mining and Managing Consultant, RTZ Consultants Ltd. (1974-78), Associate and Principal, Golder Associates Ltd. (1978-83), Senior Project Manager, General Manager, and Vice President Engineering, Lac Minerals Ltd. (1983-90), Vice President Operations, Goldcorp Inc. (1990-94), and Navan Resources Plc, Operations Director (1994-96). Currently, Mr. Cook serves as the Chairman of Anaconda Gold Corp. and he is also a director of GLR Resources Inc., Uranium City Resources Inc. and MBMI Resources Inc. Mr. Cook holds a Bachelor of Engineering (Mining), C. Eng UK, and P. Eng Ontario.

T. Sean Harvey Mr. Harvey has been a director of the company since June 11, 2007. He is a co-founder and, since January 2004, has served as the non-executive Chairman of Andina Minerals, Inc., a Toronto-based exploration-stage mining company listed on the TSX Venture Exchange. Mr. Harvey also served as the President, Chief Executive Officer and as a director of Orvana Minerals Corp. (April 2005 May 2006), a mining company listed on the Toronto Stock Exchange, and as the President, Chief Executive Officer and a director of Atlantico Gold Inc. (May 2003 January 2004), a private company that acquired the Amapari gold project in Brazil in 2003, and that was subsequently acquired by Wheaton River Minerals Ltd. Prior to that, Mr. Harvey served as: the President, Chief Executive Officer, Chief Operating Officer and a director of TVX Gold Inc. (April 2001 January 2003), a mining company listed on the Toronto Stock Exchange and New York Stock Exchange; a financial consultant to the EBX Group of Companies based in Rio de Janeiro (April 2000 March 2001); a Director at Deutsche Bank Securities Limited (August 1998 March 2000) in Toronto, where he was a member of the Investment Banking Group and the Global Mining and Metals team; a Director at Nesbitt Burns Inc. (formerly Burns Fry Ltd.) (February 1990 July 1998) in Toronto, where he was a member of the Investment Banking Group; a Financial Analyst at IBM Canada Limited (February 1989 February 1990); and an Assistant Manager, CIBC (March 1988 February 1989). Mr. Harvey holds an Honours Bachelor of Arts degree (Economics and Geography) and a Master of Arts degree (Economics) from Carleton University, a Bachelor of Laws degree from the University of Western Ontario and an MBA from the University of Toronto. He is also a member of the Law Society of Upper Canada.

Erland A. Anderson Mr. Anderson was appointed Executive Vice President and Chief Operating Officer on April 23, 2007. Prior to that, he served as interim President and Chief Executive Officer from August 21, 2006 to April 23, 2007. Prior to this, Mr. Anderson had served as our Chief Operating Officer and Executive Vice President since February 15, 2006, and as our President and a director from October 2003 until February 15, 2006. Mr. Anderson has over 35 years of operational experience in the mining industry. From December 30, 2002 to October 2003, he was our Vice President. From June, 1999 to December 30, 2002, he served as the company's Operations Manager and from 1994 to 1999 was North American Operations Manager for Nord Pacific Limited. Prior to 1994, Mr. Anderson was Vice President of Minera Roca Roja, S.A. de C.V., Walhalla Mining Company and Keweenaw Copper Company and a Director of Technical Services for St. Joe Minerals Corporation where he was employed for 14 years and had responsibility for mine planning and technical services. Mr. Anderson

holds a degree in Civil Engineering Technology from Michigan Technological University and is a member of the Society for Mining, Metallurgy, and Exploration of the American Institute of Mining, Metallurgical, and Petroleum Engineers.

Our directors hold office until the next annual meeting of our stockholders and the election and qualification of their successors. Officers are elected annually by the board of directors and serve at the discretion of the board of directors.

Board Independence

The board of directors determined that Douglas P. Hamilton, John F. Cook, Stephen Seymour and T. Sean Harvey each qualify as independent directors under the listing standards of the American Stock Exchange. Our former director, Mr. Wade Nesmith, was also determined to be independent under these standards during his service on the board of directors until his resignation in March of 2007.

In determining Mr. Stephen Seymour's independence, the board of directors considered certain loans and advances that Mr. Seymour had previously made to the Corporation and which have been repaid by the Corporation. For further details on these transactions, please refer to the section entitled "Certain Relationships and Related Party Transactions," under the headings "TMD Acquisition," "Revolving Line of Credit" and "Convertible Promissory Notes." The board of directors determined that since these transactions relate to the repayment of outstanding loans or advances made by Mr. Seymour to or on behalf of the Corporation, that such transactions were not compensatory in nature and do not interfere with Mr. Seymour's ability to exercise independent judgement.

Committees of the board of directors

Our board of directors currently has three committees: an Audit Committee, a Compensation Committee and a Corporate Governance and Nominating Committee. These Committees were established in February 2006.

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

Audit Committee

Our Audit Committee has been structured to comply with Rule 10A-3 under the Securities Exchange Act of 1934, as amended. Our Audit Committee is comprised of Douglas P. Hamilton, John F. Cook, and T. Sean Harvey. Douglas P. Hamilton is the Chairman of the Audit Committee and our board of directors has determined that he satisfies the criteria for an audit committee financial expert under Item 407(d)(5) of Regulation S-B of the rules of the Securities and Exchange Commission. Each Audit Committee member is able to read and understand fundamental financial statements, including our consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows. The Audit Committee operates pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and related rules of the SEC.

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

The Audit Committee is mandated to monitor the audit and preparation of our financial statements and to review and recommend to the board of directors all financial disclosure contained in our public documents. The Audit Committee is also mandated to appoint our external auditors, monitor their

qualifications and independence and determine the appropriate level of their remuneration. The external auditors report directly to the Audit Committee and to the board of directors. The Audit Committee and board of directors each have the authority to terminate the external auditor's engagement (subject to confirmation by our stockholders). The Audit Committee will also approve in advance any permitted services to be provided by the external auditors which are not related to the audit.

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

Compensation Committee

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

The Compensation Committee does not currently have a written charter.

Corporate Governance and Nominating Committee

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

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

The Corporate Governance and Nominating Committee does not currently have a written charter.

Involvement in Certain Legal Proceedings

Except as disclosed in this prospectus, during the past five years none of our directors or executive officers is, or has been, a general partner or executive officer of any business that filed a

bankruptcy petition (or had a bankruptcy petition filed against it), either at the time of filing or within two years prior to such time.

None of our directors or executive officers has, within the past five years, been convicted in a criminal proceeding or been the subject of a pending criminal proceeding (excluding traffic violations and other minor offences).

None of our directors or executive officers has, within the past five years, been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.

None of our directors or executive officers has, within the past five years, been found by a court of competent jurisdiction (in a civil action), the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

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

Conflicts of Interest

To our knowledge, and other than as disclosed in this prospectus, there are no known existing or potential conflicts of interest among us, our directors and officers, or other members of management, or of any proposed director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies.

EXECUTIVE COMPENSATION

Summary Compensation Table

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

- (a) the person(s) serving as our company's principal executive officer during the year ended December 31, 2006;
- (b) each of our company's two most highly compensated executive officers, other than the principal executive officer, who were serving as executive officers at the end of the year ended December 31, 2006, and whose total compensation during such financial year exceeded \$100,000 per year; and
- (c) additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an executive officer of our company at the end of the year ended December 31, 2006;

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

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)⁽¹⁾	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Ronald A. Hirsch Chairman and Chief Executive Officer ⁽²⁾	2006	200,000 ⁽³⁾	300,000 ⁽⁴⁾	-	-	-	-	11,538 ⁽⁶⁾	511,538
	2005	200,000 ⁽³⁾	-	-	515,826 ⁽⁵⁾	-	-	-	715,826
John T. Perry President, Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer	2006	203,000 ⁽⁷⁾	375,000 ⁽⁴⁾⁽⁸⁾	-	-	-	-	10,096 ⁽⁶⁾	588,096
	2005	52,700 ⁽⁷⁾	75,000 ⁽⁸⁾	-	143,835	-	-	-	271,535
Nicholas Tintor President and Chief Executive Officer ⁽⁹⁾	2006	-	88,235	-	-	-	-	233,000 ⁽¹⁰⁾	321,235
	2005	-	-	-	-	-	-	-	-
Erland A. Anderson Executive Vice President and Chief Operating Officer ⁽¹¹⁾	2006	150,000 ⁽¹²⁾	300,000 ⁽⁴⁾	-	126,633 ⁽¹³⁾	-	-	8,654 ⁽⁶⁾	585,287
	2005	150,000 ⁽¹²⁾	-	-	-	-	-	-	150,000

Notes

- (1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2006 financial year for the fair value of stock options granted to each Named Executive Officer, in 2006 as well as prior financial years, in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to the options, refer to Note 1 under the heading Stock-Based Compensation

- and Note 8 under the heading "Stock Options" in our consolidated financial statements.
- (2) Mr. Hirsch resigned as our Chief Executive Officer effective February 15, 2006, but remains Chairman of the board of directors.
 - (3) \$200,000 of salary deferred in each of 2006 and 2005. This amount was paid on June 11, 2007. (See "Certain Relationships and Related Party Transactions - Compensatory Arrangements").
 - (4) On October 16, 2006, our company's board of directors declared bonuses of \$300,000 to each of Mr. Hirsch, Mr. Anderson and Mr. Perry for their success in bringing our company back into compliance with its SEC reporting obligations and otherwise positioning our company to focus on its near-term objective of reactivating the Johnson Camp Mine. The bonuses were accrued and to be paid when our company has sufficient funds to make the payments, as determined in the discretion of the board of directors. These amounts were paid as to \$150,000 to Mr. Perry on April 17, 2007 and the remaining amounts on June 14, 2007. (See "Certain Relationships and Related Party Transactions - Compensatory Arrangements").
 - (5) Mr. Hirsch exercised 1,750,000 stock options at an aggregate exercise price of \$35,000 during June 2004. During April 2005, we agreed to rescind this stock option exercise and to reinstate the original 1,750,000 options at the exercise price and with the expiration date of the options under the original grant. We issued Mr. Hirsch a convertible promissory note, dated as of the date of the rescinded option exercise, for the \$35,000 received by us as the exercise price but which was not refunded to Mr. Hirsch upon cancellation of the underlying stock.
 - (6) Vacation earned but not taken during 2006.
 - (7) Fair value of shares at time of issuance in lieu of salary. The shares are "restricted securities" within the meaning assigned in Rule 144(a)(3) under the Securities Exchange Act of 1933, as amended.
 - (8) \$75,000 of this amount represents fair value of shares. We agreed to issue 500,000 shares of common stock to Mr. Perry as a signing bonus upon his employment by our company, of which 250,000 shares valued at \$75,000 were issued upon the execution of the original memorandum of understanding between our company and Mr. Perry dated April 1, 2005, and the remaining 250,000 shares valued at \$75,000 were issued in April 2006. The shares are "restricted securities" within the meaning assigned in Rule 144(a)(3) under the Securities Exchange Act of 1933, as amended.
 - (9) Mr. Tintor resigned as President and Chief Executive Officer on August 21, 2006.
 - (10) We entered into a settlement agreement with Mr. Tintor following his resignation as our President and Chief Executive Officer pursuant to which we paid Mr. Tintor a total of \$233,000 as follows: we paid \$70,000 in cash upon execution of the agreement on September 29, 2006, and we paid the balance of \$163,000 by issuing a total of 139,880 fully paid and non-assessable shares of common stock of our company to Mr. Tintor on January 7, 2007. Mr. Tintor had been granted 500,000 options on May 16, 2006, with a fair value of \$188,806. These options were cancelled on September 29, 2006 pursuant to

the settlement agreement. Additionally, Mr. Tintor had accrued but unpaid salary of \$37,500 in 2006 which was forgiven pursuant to the settlement agreement.

- (11) Mr. Anderson was also President and a director of the company until February 15, 2006. Mr. Anderson was appointed Executive Vice President and Chief Operating Officer on February 15, 2006, and succeeded Mr. Tintor as interim President and Chief Executive Officer, on an interim basis, on August 21, 2006. On April 23, 2007, Mr. Anderson resigned as President and Chief Executive Officer and was appointed Executive Vice President and Chief Operating Officer.
- (12) \$90,000 and \$98,000 of salary was deferred in 2006 and 2005, respectively. These amounts were paid on June 11, 2007. (See Certain Relationships and Related Party Transactions Compensatory Arrangements).
- (13) On February 1, 2006, Erland Anderson voluntarily surrendered for cancellation stock options entitling him to purchase up to 675,000 shares of our common stock at an exercise price of \$0.02 per share, being the market price of one share of common stock on the grant date. In exchange for such options, Mr. Anderson was granted replacement options on the same date entitling him to purchase up to 675,000 shares of our common stock, exercisable for five years at an exercise price of \$0.50 per share.

Outstanding Equity Awards as of December 31, 2006

The following table summarizes the outstanding equity awards as of December 31, 2006 for each Named Executive Officer:

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Award Market Payoff Value of Unearned Shares or Other Rights That Have Not Vested (\$)
Ronald Hirsch	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John T. Perry	200,000	N/A	N/A	\$0.30	4/1/2010	N/A	NA	NA	N/A
	100,000	N/A	N/A	\$0.40	4/1/2010				
	100,000	N/A	N/A	\$0.50	4/1/2010				
	100,000	N/A	N/A	\$0.60	4/1/2010				

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Erland A. Anderson	675,000	N/A	N/A	\$0.50	2/1/ 2011	N/A	N/A	N/A	N
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On June 11, 2007, the board of directors granted 500,000 common stock purchase options to John Perry and 250,000 common stock purchase options to Erland Anderson. These options were granted pursuant to our 2006 Stock Incentive Plan, and are exercisable to acquire one share of our common stock for a period of ten years at a price of \$0.68 per share. One-third of the options vested on the grant date and the remaining options will vest as to one-third on each of the first and second anniversaries of the grant date. Mr. Perry was granted an additional 150,000 options on the same terms in his capacity as a director of the company. (See Compensation of Directors below).

On July 11, 2007 the board of directors granted an additional 50,000 common stock purchase options to Erland Anderson. These options were granted pursuant to our 2006 Stock Incentive Plan, and are exercisable to acquire one share of our common stock for a period of ten years at a price of \$0.85 per share. One-third of the options vested on the grant date and the remaining will vest as to one-third on each of the first and second anniversaries of the grant date.

Employment Contracts and Termination of Employment and Change-In-Control Arrangements

Ronald Hirsch

On January 2, 2004, we entered into an executive employment agreement with Ronald Hirsch to serve as our Chief Executive Officer. The original term of this executive employment agreement was for three years, and it expired on January 2, 2007. The executive employment agreement has been renewed until January 2, 2008, and is subject to automatic renewals for successive one year periods unless cancelled by either of the parties. In connection with his employment by our company, Mr. Hirsch received stock options for the purchase of up to 3,000,000 shares of our common stock with an exercise price of \$0.02 per share, which was the market price at the time of grant.

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

Mr. Hirsch resigned as our Chief Executive Officer effective February 15, 2006, but he has continued to serve as Chairman of our board of directors.

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

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

- Mr. Hirsch's base salary in his capacity as Chairman from February 15, 2006, to February 15, 2007 continued at the original level provided for in his executive employment agreement of \$200,000 per annum, and was reduced to \$100,000 per annum thereafter.
- Notwithstanding Mr. Hirsch's retirement, resignation or termination for any reason other than for cause or as a result of a *Significant Transaction* which is accompanied by a change of majority ownership of our company, our company shall continue to provide health insurance benefits to Mr. Hirsch until he reaches the age of 65.

- If our company enters into an agreement with respect to a Significant Transaction which is accompanied by a change of majority ownership of our company, Mr. Hirsch will voluntarily resign as Chairman effective immediately prior to the completion of the Significant Transaction.
- In the event that Mr. Hirsch ceases to be employed by our company (other than by way of termination for cause) in connection with the completion of a Significant Transaction, other than one which is accompanied by a change of majority ownership of our company, we must provide to Mr. Hirsch certain payments and benefits set forth in the executive employment agreement - subject to execution and delivery by Mr. Hirsch to our company of a mutual and general release of claims - including the payment to Mr. Hirsch of an amount equal to three times his annual base salary in a lump sum within 60 days following termination of employment.
- In the event of the completion of a Significant Transaction which is accompanied by a change of majority ownership of our company, Mr. Hirsch will not be entitled to receive the lump sum payment equal to three times his annual base salary.

Nicholas Tintor

On February 15, 2006, Nicholas Tintor accepted our offer to serve as President and Chief Executive Officer of our company pursuant to a letter agreement that contemplated the execution and delivery of a definitive executive employment agreement between our company and Mr. Tintor within 30 days of the date of his acceptance of our offer.

We agreed to pay Mr. Tintor a signing bonus of \$150,000, payable as to \$75,000 upon acceptance of our employment offer, and \$75,000 on the one-year anniversary of his acceptance. The bonus was to be paid in shares of our common stock, to be issued as fully paid and non-assessable at a deemed issue price per share equal to the market price of our common stock, less a 15% discount to reflect their status as restricted securities with the meaning assigned in Rule 144 under the Securities Act of 1933, as amended. On May 12, 2006, we issued 176,471 shares of our common stock to Mr. Tintor in payment of the initial \$75,000 instalment of the signing bonus; the shares were valued at \$88,236 at the time of issuance. Additionally, we granted Mr. Tintor 500,000 options to purchase shares of common stock with a term of three years.

Mr. Tintor resigned as our President and Chief Executive Officer effective August 21, 2006, and we subsequently entered into a settlement agreement with Mr. Tintor. At the time of his resignation, we had been negotiating in good faith the terms of the definitive executive employment agreement.

Under the settlement agreement, in consideration of a mutual release of claims, on September 29, 2006 we paid Mr. Tintor \$70,000 in cash upon execution of the agreement, and we paid an additional \$163,000 to Mr. Tintor by issuing a total of 139,880 fully paid and non-assessable shares of common stock to him on January 7, 2007. Pursuant to the settlement agreement, the 500,000 options that had been granted to Mr. Tintor were cancelled on September 29, 2006.

Erland A. Anderson

On January 2, 2004, we entered into an executive employment agreement with Erland A. Anderson to serve as our President, at an annual base salary of \$150,000. The initial term of this agreement was for three years and it expired on January 2, 2007. The executive employment agreement has been renewed until January 2, 2008 and is subject to automatic renewal for successive one year periods unless cancelled by either of the parties.

Absent a change in control, if we terminate Mr. Anderson for any reason not for cause other than due to, death or disability, we must pay to Mr. Anderson (i) his accrued unpaid salary, bonuses and

expenses, if any, (ii) his base salary for 12 months, and (iii) his health insurance premiums until the earlier of the expiration of 12 months and the date he is eligible for similar health benefits with another employer. Following a change in control, in the event we terminate Mr. Anderson for any reason other than for death, disability or cause, we are required to pay Mr. Anderson all accrued unpaid salary, bonuses, and expenses, a lump sum equal to three times his annual base salary, and we are required to pay for his health, dental, and disability insurance premiums for 18 months. Mr. Anderson may also elect to terminate his employment following a change of control and receive these payments.

On February 1, 2006, Mr. Anderson, voluntarily surrendered for cancellation stock options entitling him to purchase up to 675,000 shares of our common stock at an exercise price of \$0.02 per share, being the market price of one share of common stock on the date of grant. In exchange for such options, we granted to Mr. Anderson replacement options entitling him to purchase up to 675,000 shares of our common stock, exercisable for five years at an exercise price of \$.50 per share.

In order to permit the appointment of Mr. Tintor as our President and Chief Executive Officer, Mr. Anderson resigned as our President effective February 15, 2006, and he was immediately appointed as our Executive Vice President and Chief Operating Officer.

Effective October 18, 2006, we entered into an agreement amending our executive employment agreement with Mr. Anderson, pursuant to which we have paid Mr. Anderson all of his accrued and unpaid salary (See Certain Relationships and Related Party Transactions - Compensatory Arrangements). As described in more detail below, the amended executive employment agreement contains certain provisions that will apply if our company becomes a party to a Significant Transaction. The definition of Significant Transaction in our amended executive employment agreement with Mr. Anderson is identical to that contained in our amended executive employment agreement with Mr. Hirsch.

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

- If our company enters into an agreement with respect to a Significant Transaction which is accompanied by a change of majority ownership of our company, Mr. Anderson will voluntarily resign as an officer of our company, effective immediately prior to the completion of the Significant Transaction.
- In the event that Mr. Anderson ceases to be employed by our company (other than by way of termination for cause) in connection with the completion of a Significant Transaction other than one which is accompanied by a change of majority ownership of our company, we must provide to Mr. Anderson certain payments and benefits set forth in the executive employment agreement - subject to execution and delivery by Mr. Anderson to our company of a mutual and general release of claims - including the payment to Mr. Anderson of an amount equal to three times his annual base salary in a lump sum within 60 days following termination of employment.
- In the event of the completion of a Significant Transaction which is accompanied by a change of majority ownership of our company, Mr. Anderson will not be entitled to receive the lump sum payment equal to three times his annual base salary, but he will be entitled to receive \$150,000.

Mr. Anderson was appointed Executive Vice President and Chief Operating Officer effective April 23, 2007. Given his increased responsibilities, the board of directors authorized an increase in his annual base salary to \$175,000 effective July 9, 2007.

John T. Perry

Effective April 1, 2005, we hired John Perry as our Senior Vice President and Chief Financial Officer pursuant to a memorandum of understanding with Mr. Perry which stated that for employment services rendered, Mr. Perry would be compensated on a monthly basis with 20,000 fully-paid and non-assessable shares of common stock until such time that we received funding of at least \$10,000,000. Additionally, we agreed to issue 500,000 shares of common stock to Mr. Perry as a signing bonus, of which 250,000 were issued upon the execution of the memorandum of understanding, and the remaining 250,000 were issued in April 2006. We also issued options to Mr. Perry entitling him to purchase up to 500,000 shares of our common stock, exercisable for a term of five years, as follows: (a) 200,000 shares at an exercise price of \$0.30 per share; (b) 100,000 at an exercise price of \$0.40 per share; (c) 100,000 at an exercise price of \$0.50 per share; and (d) 100,000 at an exercise price of \$0.60 per share.

On April 18, 2005, we entered into an executive employment agreement with Mr. Perry to serve as our Senior Vice President and Chief Financial Officer. The initial term of this agreement was for two years, subject to automatic renewal for successive one year periods unless cancelled by either of the parties. Mr. Perry's annual base salary under the agreement was set at \$175,000 annually, subject to his agreement to accept 20,000 shares of common stock per month in lieu of cash salary on an interim basis as described above. Given our completion of an unregistered offering of special warrants in June 2007, Mr. Perry now receives his salary in cash.

Absent a change in control, if we terminate Mr. Perry for any reason other than for cause, we must pay Mr. Perry's salary and health and dental insurance premiums for 12 months. Following a change in control, in the event we terminate Mr. Perry for any reason other than for death, disability or cause, we are required to pay Mr. Perry all accrued unpaid salary, bonuses, expenses, a lump sum equal to three times his annual base salary, and we are required to pay for his health, dental, and disability insurance premiums for 18 months. Mr. Perry may also elect to terminate his employment following a change of control and receive these payments.

Effective October 18, 2006, we entered into an agreement amending our executive employment agreement with Mr. Perry. As described in more detail below, the amended executive employment agreement contains certain provisions that will apply if our company becomes a party to a Significant Transaction. The definition of Significant Transaction in our amended executive employment agreement with Mr. Perry is identical to that contained in our amended executive employment agreements with Mr. Hirsch and Mr. Anderson.

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

- If we enter into an agreement with respect to a Significant Transaction which is accompanied by a change of majority ownership of our company, Mr. Perry will voluntarily resign as an officer of our company, effective immediately prior to the completion of the Significant Transaction.
- In the event that Mr. Perry ceases to be employed by our company (other than by way of termination for cause) in connection with a Significant Transaction other than one which is accompanied by a change of majority ownership of our company, we must provide to Mr. Perry certain payments and benefits set forth in the executive employment agreement - subject to execution and delivery by Mr. Perry to our company of a mutual and general release of claims - including the payment to Mr. Perry of an amount equal to three times his annual base salary in a lump sum within 60 days following termination of employment.

- In the event of the completion of a Significant Transaction which is accompanied by a change of majority ownership of our company, Mr. Perry will not be entitled to receive the lump sum payment equal to three times his annual base salary, but he will be entitled to receive \$225,000.

Mr. Perry was appointed President and Chief Executive Officer effective April 23, 2007. Given his increased responsibilities, the board of directors authorized an increase in his salary to \$200,000 effective June 1, 2007.

Effect of Recent Financing Transactions on Executive Compensation

Our company entered into a Credit Agreement dated as of June 28, 2007 with Nedbank Limited, as administrative agent and lead arranger. The Credit Agreement provides for a \$25,000,000 secured term loan credit facility that will be used by our company to assist in financing the construction, start-up and operation of the Johnson Camp Mine. The Credit Agreement contemplates a series of term loans to be funded from time to time by a syndicate of lenders in response to draw-down requests by us, with the aggregate amount of all term loans not to exceed \$25,000,000.

The availability of the loan facility contemplated by the Credit Agreement, and the special warrant financing completed by our company on June 5, 2007, has permitted us to repay all amounts accrued and outstanding under our executive employment agreements with Mr. Hirsch, Mr. Anderson and Mr. Perry. In addition, Mr. Perry is now entitled to be paid his salary in cash rather than in shares of common stock.

Performance Incentive Plan

On July 31, 2007, we adopted a performance incentive plan (the Performance Plan) for the purpose of retaining and providing an incentive to certain key employees involved in restarting and commissioning the Johnson Camp Mine. The Performance Plan covers the period of time from July 1, 2007, to December 31, 2008 and bases its payouts on the achievement of certain key targets and milestones associated with the restart and commissioning of the Johnson Camp Mine. The key targets and milestones are as follows:

Target or Milestone	Weight
Completion of mine construction	10%
Commencement of mining operations	10%
First production of cathode	20%
Achievement of the production of approximately 1,000,000 lbs of cathode, on a monthly basis	10%
Achievement of the production of approximately 2,000,000 lbs of cathode, on a monthly basis	20%
Restart and commissioning capital expenditure of less than a certain amount	20%
• Self funding upside of 150% if capital expenditures are equal to or less than a certain amount	
Safety # of Lost Time Incidents during plan period	10%

Our Compensation Committee is responsible for administering the Performance Plan, including selecting the employees eligible to participate therein, determining their participation level and establishing key target dates for payments to be made under the Performance Plan.

Under the Performance Plan, the achievement of targets or milestones is not on an all or nothing basis. If a milestone is achieved later than the target date set by the Compensation Committee, it will still have been achieved; however, it will have been achieved at less than 100%. The level of achievement reached with respect to the established targets or milestones will be determined by the Chief Executive Officer and President, subject to approval by the Compensation Committee

In August, 2007, the Compensation Committee selected the employees entitled to participate in the Performance Plan and set the key target dates and payout levels under the Performance Plan. Currently John Perry, our President and Chief Executive Officer, and Erland A. Anderson, our Executive Vice President and Chief Operating Officer, are both participants under the Performance Plan and are entitled to a maximum payout of up to 110% of their base salary during the plan period if all targets or milestones are met at 100%. Currently, various other employees are participating in the Performance Plan at lower percentages.

Compensation of Directors

The following table summarizes the compensation of our company's directors for the year ended December 31, 2006:

Name ⁽¹⁾	Fees Earned or Paid in Cash (\$)	Stock Awards (2) (\$)	Option Awards (3) (\$)	Non-Equity Incentive Plan Compensation (\$)	Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Doug Hamilton	34,500 ⁽⁴⁾	35,000 ⁽⁵⁾	114,285	-	-	-	183,785
Stephen Seymour	12,000 ⁽⁶⁾	21,875 ⁽⁵⁾	114,285	-	-	-	148,160
John Cook	22,500 ⁽⁷⁾	28,436 ⁽⁵⁾	114,285	-	-	-	165,221
Wade Nesmith	86,250 ⁽⁹⁾	41,563 ⁽⁵⁾	114,285 ⁽¹⁰⁾	-	-	-	242,098

Notes

- (1) Ronald Hirsch and John Perry, members of our board of directors, are Named Executive Officers and did not receive any compensation as directors that has not been disclosed in the summary compensation table above.
- (2) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2006 fiscal year for the fair value of deferred stock units (DSUs) granted in 2006 in accordance with SFAS 123R. Fair value is calculated using the average of the high and low price of our stock on the trading day prior to the date of grant. The outstanding DSUs for the directors at December 31, 2006 are as follows: Douglas Hamilton (40,342 DSUs), Stephen Seymour (25,214 DSUs), John Cook (32,778 DSUs) and Wade Nesmith (47,907 DSUs).
- (3) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2006 fiscal year for the fair value of stock options granted to each of the directors in 2006, as well as prior fiscal years, in accordance with SFAS 123R. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For additional information on the valuation assumptions with respect to the options, refer to Note 1 under the heading Stock-Based Compensation and Note

8 under the heading "Stock Options" in our consolidated financial statements. The outstanding stock option awards for the directors at December 31, 2006 are as follows: Ronald Hirsch (none), Douglas Hamilton (200,000), Stephen Seymour (200,000), John Cook (200,000) and Wade Nesmith (200,000).

- (4) Cash fees totaling \$34,500, of which \$30,000 was deferred. The deferred amount was paid on June 13, 2007.
- (5) Fair value of DSUs issued pursuant to our company's 2006 Stock Incentive Plan. In January 2007, we issued 25,651 shares of common stock to John Cook in settlement of 25,651 DSUs. In May, 2007, we issued 64,376 shares of common stock to Wade Nesmith in settlement of 64,376 DSUs.
- (6) Cash fees totaling \$12,000, of which \$7,500 was deferred. The deferred amount was paid on June 13, 2007.
- (7) Cash fees totaling \$22,500, all of which was deferred. The deferred amount was paid on June 13, 2007.
- (8) Mr. Nesmith resigned as a director effective March 29, 2007.
- (9) Cash fees totaling \$86,250, of which \$63,750 was deferred. The deferred amount was paid on June 19, 2007.
- (10) Includes \$26,086 attributable to options that were subsequently forfeited in March 2007 at the time of Mr. Nesmith's resignation.

On June 11, 2007, the board of directors granted 150,000 common stock purchase options to each of Ronald Hirsch, John Perry, Stephen Seymour, Douglas Hamilton, John Cook and Sean Harvey. These options were granted pursuant to our 2006 Stock Incentive Plan, and are exercisable for a period of ten years at a price of \$0.68 per share. One-third of the options vested on the grant date and the remaining options will vest as to one-third on each of the first and second anniversaries of the grant date.

On July 11, 2007, the board of directors granted options to acquire 125,000 and 275,000 shares of common stock to Stephen Seymour and Ronald Hirsch, respectively. These options were granted pursuant to our 2006 Stock Incentive Plan, and are exercisable for a period of ten years at a price of \$0.85 per share. One-third of the options vested on the grant date and the remaining options will vest as to one-third on each of the first and second anniversaries of the grant date.

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

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

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

The non-executive directors are also entitled to receive attendance fees of \$1,500 per meeting for each board and committee meeting, payable in cash. We paid cash fees to our non-executive directors totaling \$31,500 during the year ended December 31, 2006, as follows:

Name	Amount of Cash Fees Paid
Wade Nesmith	\$22,500
Doug Hamilton	4,500
Stephen Seymour	4,500
Total	\$31,500

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of November 15, 2007, regarding the beneficial ownership of our common stock by:

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

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 35,992,524 shares of common stock outstanding as of November 15, 2007.

For the purposes of the information provided below, shares that may be issued upon the exercise or conversion of options, warrants and other rights to acquire shares of our common stock that are exercisable or convertible within 60 days following November 15, 2007, are deemed to be outstanding and beneficially owned by the holder for the purpose of computing the number of shares and percentage ownership of that holder, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person.

Name and Address of Beneficial Owner	As of November 15, 2007	
	Shares ⁽¹⁾	Percent
<i>Named Executive Officers and Directors⁽²⁾</i>		
Ronald A. Hirsch Chairman	7,265,526 ⁽³⁾	19.5%* 10.7%**
John T. Perry President, Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer and Director	2,022,381 ⁽⁴⁾	5.5%* 3.0%**
Stephen D. Seymour Director	4,904,853 ⁽⁵⁾	13.2%* 7.2%**
Douglas P. Hamilton Director	183,333 ⁽⁶⁾	0.5%* 0.3%**
John F. Cook Director	351,842 ⁽⁷⁾	1.0%* 0.5%**
T. Sean Harvey Director	331,250 ⁽⁸⁾	0.9%* 0.5%**
Erland A. Anderson Executive Vice President and Chief Operating Officer	1,600,001 ⁽⁹⁾	4.4%* 2.4%**
<i>Directors and Executive Officers as a Group (Seven Persons)</i>	16,659,186 ⁽¹⁰⁾	40.8%* 23.3%**
<i>Beneficial Owners of in Excess of 5% (other than Named Executive Officers and Directors)</i>		
John F. Champagne	3,105,000	8.6%* 4.7%**
Auramet Trading, LLC	2,568,640 ⁽¹¹⁾	7.1%* 3.8%**

* Without giving effect to 30,666,700 shares of common stock issuable, without the payment of any additional consideration, upon the conversion of 30,666,700 special warrants that were offered and sold pursuant to the unregistered private placement that closed on June 5, 2007.

** After giving effect to 30,666,700 shares of common stock issuable, without the payment of any additional consideration, upon the conversion of the 30,666,700 special warrants.

(1) Based on 35,992,524 shares of common stock issued and outstanding as of November 15, 2007. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Except as otherwise indicated, we believe that the beneficial owners of the common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable, and except as noted below.

(2) The address of the executive officers and directors is c/o Nord Resources Corporation, 1 West Wetmore Road, Suite 203, Tucson, Arizona, 85705.

- (3) Includes 1,130,000 shares of common stock that may be acquired pursuant to warrants and 141,668 shares of common stock that may be acquired pursuant to options, in each case exercisable within 60 days.
- (4) Includes 716,667 shares of common stock that may be acquired pursuant to options and 142,857 shares of common stock that may be acquired pursuant to warrants, in each case exercisable within 60 days.
- (5) Includes 1,130,000 shares of common stock that may be acquired pursuant to warrants and 225,001 shares of common stock that may be acquired pursuant to options, in each case exercisable within 60 days. Also includes 1,575,000 shares of common stock held by Mr. Seymour as a co-trustee of a trust, 320,757 shares of common stock held jointly by Mr. Seymour and his spouse, and 36,300 owned by his spouse. Mr. Seymour disclaims beneficial ownership of the 36,300 shares of common stock owned by his spouse.
- (6) Includes 183,333 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (7) Includes 71,429 shares of common stock that may be acquired pursuant to warrants exercisable within 60 days and 71,429 outstanding shares of common stock, all of which are owned by Tormin Resources Limited, a company owned and controlled by Mr. Cook. Also includes 183,333 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (8) Includes 187,500 shares of common stock that may be acquired pursuant to special warrants that are convertible within 60 days without the payment of any additional consideration, and 93,750 shares of common stock that may be acquired pursuant to warrants that are issuable upon conversion of the special warrants and that will be exercisable immediately following their issuance. Also includes 50,000 shares of common stock pursuant to options exercisable within 60 days.
- (9) Includes 775,001 shares of common stock that may be acquired pursuant to options exercisable within 60 days.
- (10) Includes 2,275,003 shares of common stock that may be acquired pursuant to options and 2,474,286 shares of common stock that may be acquired pursuant to warrants, in each case exercisable within 60 days. Also includes 187,500 shares of common stock that may be acquired pursuant to special warrants that are convertible within 60 days without the payment of any additional consideration, and 93,750 shares of common stock that may be acquired pursuant to warrants that are issuable upon conversion of the special warrants and that will be exercisable immediately following their issuance.
- (11) Includes 462,230 shares of common stock that may be acquired pursuant to warrants exercisable within 60 days.

We have no knowledge of any arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in our control.

We are not, to the best of our knowledge, directly or indirectly owned or controlled by another corporation or foreign government.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Except for the transactions described below, since the beginning of the year ended December 31, 2006, none of our directors, officers or principal stockholders, nor any family member, associate or affiliate of the foregoing, have any material interest, direct or indirect, in any transaction, or in any proposed transaction, in which our company was or is to be a participant and in which the amount involved exceeds the lesser of \$120,000 or one percent of the average of our total assets at year-end for the last three completed fiscal years.

TMD Acquisition

In May 2004, we commenced pursuing an opportunity to acquire assets comprising ASARCO Inc.'s Tennessee Mines Division zinc business. Ronald Hirsch, the Chairman of our board of directors, and Stephen Seymour, a director of our company, subsequently agreed to assist us to preserve this opportunity by assuming the right to acquire ASARCO's zinc assets, and assigning such right to TMD Acquisition, a corporation formed specifically to facilitate an asset purchase agreement with ASARCO dated March 21, 2005, in respect of the zinc assets. The principals of TMD Acquisition are Ronald Hirsch and Stephen Seymour.

Pursuant to a Settlement Agreement and a related Assignment Agreement dated as of October 18, 2006, between our company and TMD Acquisition, we took an assignment of the asset purchase agreement between TMD Acquisition and ASARCO. We also agreed to reimburse TMD Acquisition for certain expenses in the aggregate amount of \$365,000, and to assume certain accounts payable in the

aggregate amount of \$101,442, which had been incurred by TMD Acquisition in the preservation of the opportunity to acquire ASARCO's zinc assets. We had previously advanced to TMD Acquisition the aggregate amount of \$50,000 (evidenced by demand promissory notes dated February 27, 2006, and May 8, 2006, each in the principal amount of \$25,000) to cover certain expenses that TMD Acquisition has incurred in preserving the opportunity to acquire ASARCO's zinc assets. The loan was repaid by TMD Acquisition on December 27, 2006.

Although ASARCO's trustee in bankruptcy sold the zinc assets, we instructed counsel to preserve any right of action that we might have against ASARCO and ASARCO's trustee in bankruptcy. On December 12, 2006, we entered into a settlement agreement with ASARCO pursuant to which ASARCO paid us \$475,000 in consideration of the execution and delivery by the parties of mutual general releases.

The TMD Settlement Agreement provided that we would reimburse the \$365,000 in expenses incurred by TMD Acquisition upon the earlier of certain specified events but no later than December 22, 2006. In addition, if we received any cash payment on account of the claim against ASARCO, we were required to first remit such portion of the cash payment to TMD Acquisition as will be required to fully pay the outstanding balance of TMD's expenses. However, TMD Acquisition agreed to defer reimbursement of its expenses until our company's financial position had improved. We repaid all outstanding amounts owed to TMD Acquisition on June 13, 2007, out of the net proceeds of the special warrant financing which closed on June 5, 2007.

Revolving Line of Credit

On June 21, 2005, we entered into a \$600,000 revolving line of credit agreement with Ronald Hirsch and Stephen Seymour. The line of credit was subject to interest at 6.0% per annum, and was to have matured on December 31, 2005. It was collateralized by accounts receivable, inventory, property and equipment, and other assets, but was later subordinated to a secured bridge loan from Nedbank. The maturity date was extended several times and ultimately was agreed to be the earlier of: (a) July 12, 2007; or (b) the closing of (i) an equity offering in which our company raised not less than \$20,000,000, or (ii) a significant corporate transaction which resulted in a change of control of our company, or which involved a sale, lease, exchange or other transfer of all or substantially all of our company's assets or assets valued at \$12,000,000 or greater. In addition, commencing May 1, 2006, the interest rate was changed from 6.0% per annum to M&T Bank's prime rate.

In consideration for the issuance of the line of credit, our company agreed to issue to the lenders four shares of common stock and four warrants for every \$1 loaned to our company. Each warrant entitles the lender to purchase one share of common stock at an exercise price of \$0.25 for a period of three years. We drew down a total of \$565,000 in principal under this facility, and we issued a total of 2,260,000 fully paid and non-assessable shares of common stock and 2,260,000 common stock warrants. These shares, and the shares issuable upon exercise of these warrants, were made subject to registration rights.

We repaid the balance of the outstanding principal and interest under this facility, totaling \$569,664, on June 7, 2007.

Convertible Promissory Notes

We issued a convertible promissory note dated August 19, 2004 to Stephen Seymour in the principal amount of \$66,000, and a convertible promissory note dated October 4, 2004, to Ronald Hirsch in the principal amount of \$106,000. We applied the proceeds from the loans evidenced by these notes to our working capital. The loans were subject to interest at 10% per annum, were unsecured and were extended several times, but ultimately were extended to mature on the earlier of: (a) July 12, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which we raise not less

than \$25,000,000, or (ii) a significant corporate transaction which results in a change of control of our company, or which involves a sale, lease, exchange or other transfer of all or substantially all of our company's assets or assets valued at \$12,000,000 or greater. These loans were repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of \$0.20 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of \$0.20 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of \$0.20 per share as the holder could determine. These loans were subordinated to our bridge loan from Nedbank Limited.

On June 29, 2004, Ronald Hirsch exercised 1,750,000 stock options at an exercise price of \$0.02 per share, for a total of \$35,000. Subsequently, during April 2005, we agreed to rescind this stock option exercise and to reinstate the original 1,750,000 options at the exercise price and with the expiration date of the options under the original grant, in order to facilitate tax planning by Mr. Hirsch. Mr. Hirsch agreed that we could retain the \$35,000 that he had paid to exercise the stock options as working capital, and we issued Mr. Hirsch a convertible promissory note for \$35,000, dated as of June 29, 2004, being the date of the rescinded option exercise. The promissory note was subject to interest at 10% per annum, was unsecured and was extended several times, but ultimately was extended to mature on the earlier of: (a) July 12, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which we raise not less than \$25,000,000, or (ii) a significant corporate transaction which results in a change of control of our company, or which involves a sale, lease, exchange or other transfer of all or substantially all of our company's assets or assets valued at \$12,000,000 or greater. This loan was repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of \$0.175 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of \$0.175 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of \$0.175 per share as the holder may determine. This loan was subordinated to the Bridge Loan with Nedbank Limited.

We repaid the loans evidenced by these convertible promissory notes on June 29, 2007. We repaid 50% of the outstanding principal and interest, amounting in total to \$132,636, in cash, and we issued: (a) 130,000 fully paid and non-assessable shares of common stock to Mr. Hirsch upon conversion of 50 percent of the outstanding principal and interest under the \$35,000 convertible promissory note dated June 29, 2004, at a conversion price of \$0.175 per share; (b) 212,195 fully paid and non-assessable shares of common stock to Mr. Seymour upon conversion of 50 percent of the outstanding principal and interest under the \$66,000 convertible promissory note dated August 19, 2004, at a conversion price of \$0.20 per share; (c) 337,458 fully paid and non-assessable shares of common stock to Mr. Hirsch upon conversion of 50 percent of the outstanding principal and interest under the \$106,000 convertible promissory note dated October 4, 2004, at a conversion price of \$0.20 per share. These shares were issued subject to registration rights.

Ronald Hirsch's Participation in Bridge Financing By Auramet Trading, LLC

On October 17, 2005, we obtained a loan in the amount of \$2,850,000 from Auramet Trading, LLC, of which \$1,850,000 was funded by Ronald Hirsch pursuant to an Agreement for Credit Risk Participation dated October 17, 2005, between Auramet Trading and Mr. Hirsch. The agreement gave Mr. Hirsch the right to own a 65% interest in the loan and in all documents, instruments and collateral issued by Auramet Trading, as well as all payments, recoveries or distributions in connection with the loan. On November 8, 2005, we used \$1,860,175 of the proceeds from the credit facility to repay the portion of the Auramet Trading that was contributed by Ronald Hirsch. (See Management's Discussion and Analysis - Our Plan of Operations).

Compensatory Arrangements

On June 14, 2007, we paid a total of \$1,942,633 in accrued and outstanding consulting fees, salaries and bonuses which have accrued over the past four years to Ronald Hirsch, the Chairman of our board of directors, John Perry, our President, Chief Executive Officer, Chief Financial Officer Secretary and Treasurer, and Erland Anderson, our Executive Vice President and Chief Operating Officer, as follows:

Name of Officer	Amount Paid	Nature of Payment
Ronald Hirsch	\$ 145,000	Accrued consulting fees
	954,157	Accrued salary and bonus
John Perry	150,000	Accrued bonus
Erland Anderson	693,466	Accrued salary and bonus
	\$ 1,942,623	

Participation By Officers and Directors in Private Placements

In September 2005, we commenced a private placement of equity securities up to a maximum of 1,428,571 units, whereby one unit, consisting of one share of common stock and a warrant to purchase one share of common stock, was offered for \$0.35 per unit. We sold 899,644 units for a total of \$314,875. Each such stock purchase warrant entitles the holder thereof to acquire one share of our common stock at a price of \$0.40 for a period of three years from the date of issue of the warrants. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. Certain of our executive officers and former or current directors participated in the private placement as follows: Nicholas Tintor (57,143 units), Wade D. Nesmith (30,000 units), John T. Perry (142,857 units) and Tormin Resources Limited, a company owned and controlled by John F. Cook (71,429 units). All insiders participated on the same terms as third party purchasers.

In June 2007, we completed an unregistered private placement offering of 30,666,700 special warrants. (See Description of Securities Special Warrants). Mr. Harvey purchased 187,500 special warrants. He was subsequently appointed to our board of directors on June 11, 2007, and has agreed to stand for re-election as a director for the ensuing year.

DISCLOSURE OF SEC POSITION OF INDEMNIFICATION FOR SECURITIES ACT OF 1933, AS AMENDED, LIABILITIES

We have been advised that, in the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act of 1933, as amended, is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of our legal counsel the matter has been settled by controlling precedent, submit the question of whether such indemnification is against public policy to a court of appropriate jurisdiction. We will then be governed by the court's decision.

DESCRIPTION OF SECURITIES

Our authorized capital stock consists of 100,000,000 shares of common stock, par value \$0.01 per share. No other class or series of capital stock is currently authorized under our articles of incorporation.

We had 35,992,524 shares of common stock outstanding as of November 15, 2007.

At the annual meeting of stockholders of our company held on October 24, 2007, our shareholders adopted a resolution authorizing an amendment to our certificate of incorporation, increasing our authorized capital to 200,000,000 shares of common stock. The increase in our authorized capital will become effective upon the filing with the Secretary of the State of Delaware of a certificate of amendment effecting the increase, which filing will be made if and as authorized in the discretion of the Board of Directors. As of the date hereof, the Board of Directors has not authorized the filing of the certificate of amendment effecting the increase to our authorized capital.

Common Stock

Holders of common stock are entitled to one vote per share on all matters subject to stockholder vote. The common stock has no pre-emptive or other subscription rights. All of the presently outstanding shares of common stock are fully paid and non-assessable. If the corporation is liquidated or dissolved, holders of shares of common stock will be entitled to share ratably in assets remaining after satisfaction of liabilities.

The holders of the common stock are entitled to receive dividends when and as declared by the board of directors, out of funds legally available therefore for the foreseeable future. Our company does not anticipate paying any cash dividends with respect to its common stock. No share of common stock of our company which is fully paid is liable to calls or assessment by us.

Special Warrants

We completed an unregistered offering of 30,666,700 special warrants on June 5, 2007. The special warrants were offered and sold at a price of \$0.75 per special warrant, for aggregate gross proceeds to us of approximately \$23,000,000. The offering was effected on a best efforts private placement basis using Blackmont Capital Inc. and Salman Partners Inc. (collectively, the Agents) as Canadian investment dealers. Each special warrant is convertible into one fully-paid and non-assessable share of our common stock and one-half of one common share purchase warrant for no additional consideration. Each special warrant will entitle the holder thereof to acquire one share of our common stock at an exercise price of \$1.10 for a period of 60 months after the date of issue of the special warrant. The special warrants are governed by the terms of a special warrant indenture we have entered into with Computershare Trust Company of Canada, as the special warrant trustee, and Blackmont Capital Inc., dated June 5, 2007. A special warrant holder will not be deemed a holder of the underlying common stock or warrants until the special warrant is converted.

Under the terms of the special warrant indenture, we are required to:

- (a) file and obtain a receipt for a Canadian non-offering prospectus to qualify the issuance in Canada of the shares of our common stock and the warrants issuable upon conversion of the special warrants, and
- (b) file a registration statement under the Securities Act of 1933, as amended, in order to register the resale of (i) the shares issuable upon conversion of the special warrants, and (ii) the shares issuable upon exercise of the warrants.

If we fail to (i) obtain a receipt for such a final Canadian prospectus, or (ii) cause the U.S. registration statement to be declared effective by the Securities and Exchange Commission, in each case no later than 5:00 p.m. (Vancouver time) on December 3, 2007, being the 180th day following the closing date of the special warrant offering, we will be liable for a liquidity incentive payment to the investors equal to 1% per month (pro-rated), subject to a maximum liquidity incentive payment equal to an aggregate of 12% of the gross proceeds of the offering. At this time, we anticipate obtaining a receipt for

the final Canadian prospectus and effectiveness of the registration statement by December 14, 2007, and we have recognized \$81,613 in expense related to the liquidity incentive. Since obtaining a receipt for the final Canadian prospectus and effectiveness of the registration statement is within the discretion of the responsible securities regulators, there is no assurance that either of these contingencies will not be met by any particular date.

The special warrants will expire at 5:00 p.m. (Vancouver time) on the earlier of:

- (a) the third business day following the date on which we obtain a receipt for the final Canadian prospectus;
- (b) the date that is four months and one day following the date on which we become a reporting issuer under the securities legislation of any province or territory of Canada; and
- (c) June 5, 2009, being the date which is two years following the date of the special warrant indenture.

The holder of a special warrant that has not expired in accordance with its terms may elect to convert its special warrant into the underlying shares of common stock and warrants at any time after 5:00 p.m. (Vancouver time) on December 3, 2007. To exercise the conversion right attaching to a special warrant prior to the deemed expiration of the special warrants described above, a special warrant holder must deliver to the special warrant trustee on or before the special warrant expiration date: (a) the special warrant certificate; and (b) a fully executed and completed notice of conversion in the form annexed to the special warrant certificate. Each special warrant that has not been converted by the holder will be converted by the special warrant trustee immediately prior to the time of its expiry set out above without the need for any action on the part of the holder.

The holder of a special warrant does not have any right to vote at meetings of our company's stockholders. However, the special warrant indenture contains provisions governing the convening of, and the procedure for voting at, meetings of special warrant holders. Generally, a meeting of special warrant holders may be convened by the special warrant trustee with at least 21 days' advance notice (a) on its own initiative, or (b) upon the written request of (i) our company or (ii) one or more special warrant holders who hold in the aggregate not less than 10% of the total number of outstanding special warrants. A quorum for a meeting of special warrant holders consists of special warrant holders, present in person or represented by proxy, who hold in the aggregate not less than 25% of the total number of outstanding special warrants. Voting is to be carried out by a show of hands unless a poll is demanded, and any matter that is presented for approval by the special warrant holders generally may be approved by a majority of the votes cast. Certain matters require approval by not less than 66 2/3% of the votes cast, including any amendment, modification, abrogation, alteration, compromise or arrangement of any right of the special warrant holders, or the waiver of any default by our company in complying with any provision of the special warrant indenture.

The special warrant indenture also contains certain anti-dilution provisions that will apply if we undertake certain corporate actions that broadly affect our common stock, such as: a stock split; a reverse stock split; a distribution to all or substantially all of our holders of common stock, or other securities convertible or exchangeable into common stock, by way of a stock dividend or other distribution; a distribution of rights, options or warrants to all or substantially all of the holders of our common stock that, upon exercise, entitle the holder of such rights, options or warrants to subscribe for or purchase common stock at a price per share that is less than 95% of the then current market price of our common stock as determined under the special warrant indenture; a distribution to all or substantially all of our common stock holders of shares of any class other than common stock of our company or of another corporation; a reclassification of our common stock; or any consolidation, amalgamation, arrangement or

merger of other form of business combination of our company with or into another corporation, trust, partnership or other entity.

A total of 3,948,800 special warrants were sold through Blackmont Capital Corp., the U.S. affiliate of Blackmont Capital Inc., to certain selling stockholders who qualify as institutional "accredited investors" (as defined in Rules 501(a)(1), (2), (3) and (7) of Regulation D under the Securities Act of 1933, as amended), pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Exchange Act of 1933, as amended. The balance of 26,717,900 special warrants were sold through Blackmont Capital Inc. in "offshore transactions" to certain selling stockholders who are not "U.S. persons" (each as defined in Rule 902 of Regulation S under the Securities Exchange Act of 1933, as amended), pursuant to Rule 903 of Regulation S under the Securities Exchange Act of 1933, as amended, and in accordance with applicable local securities laws.

Common Stock Purchase Warrants Issuable Upon Conversion of the Special Warrants

A total of 15,333,350 warrants are issuable to certain selling stockholders upon conversion of the special warrants. Each warrant, when issued, will entitle the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2012, at a price of \$1.10 per share. The warrants are governed by the terms of a warrant indenture we have entered into with Computershare Trust Company of Canada, as the warrant agent, dated June 5, 2007. This exercise price will be adjusted upon the occurrence of certain events, described below. A warrant holder will not be deemed a shareholder of our underlying common stock until the warrant is exercised.

To exercise a warrant, a warrant holder must deliver to the warrant agent on or before the warrant expiration date: (a) the warrant certificate; (b) a fully executed and completed exercise form annexed as Appendix A to the warrant certificate; and (c) payment of the full exercise price for the number of warrants being exercised. No fractional warrants may be issued under the warrant indenture, and any fractional warrants that would otherwise have been issuable will be rounded down to the nearest whole warrant.

The holder of a warrant does not have any right to vote at meetings of our company's stockholders. However, the warrant indenture contains provisions governing the convening of, and the procedure for voting at, meetings of warrant holders. Generally, a meeting of warrant holders may be convened by the warrant agent with at least 10 business days' advance notice (a) on its own initiative or (b) upon the written request of (i) our company or (ii) one or more warrant holders who hold in the aggregate not less than 15% of the total number of outstanding warrants. A quorum for a meeting of warrant holders consists of warrant holders, present in person or represented by proxy, who hold in the aggregate not less than 25% of the total number of outstanding warrants. Voting is to be carried out by a show of hands unless a poll is demanded, and any matter that is presented for approval by the warrant holders generally may be approved by a majority of the votes cast. Certain matters require approval by not less than 66 2/3% of the votes cast, including any amendment, modification, abrogation, alteration, compromise or arrangement of any right of the warrant holders, or the waiver of any default by our company in complying with any provision of the warrant indenture.

The warrant indenture also contains certain anti-dilution provisions that will apply if we undertake certain corporate actions that broadly affect our common stock, such as: a stock split; a reverse stock split; a distribution to all or substantially all of our holders of common stock, or other securities convertible or exchangeable into common stock, by way of a stock dividend or other distribution; a distribution of rights, options or warrants to all or substantially all of the holders of our common stock that, upon exercise, entitle the holder of such rights, options or warrants to subscribe for or purchase common stock at a price per share that is less than 95% of the then current market price of our common stock as determined under the warrant indenture; a distribution to all or substantially all of our common stock holders of shares of any class other than common stock of our company or of another corporation; a

reclassification of our common stock; or any consolidation, amalgamation, arrangement or merger of other form of business combination of our company with or into another corporation, trust, partnership or other entity.

Agents Compensation Options

In connection with the private placement of special warrants completed on June 5, 2007, we issued a total of 1,840,002 compensation options to the Agents as partial consideration for services rendered by the Agents. Each compensation option entitles the holder to purchase one share of our common stock until 5:00 p.m. (Vancouver time) on June 5, 2009, at a price of \$0.75.

Other Common Stock Purchase Warrants

A total of 4,053,590 shares being offered for resale under this prospectus have been reserved for issuance upon exercise of outstanding common stock purchase warrants held by Auramet Trading LLC, Nedbank Limited, Pierce Carson, Ronald Hirsch and Stephen Seymour, as more particularly described in the table of selling stockholders set forth under the heading *Selling Stockholders* and in the notes accompanying the table.

A holder of a warrant will not be deemed a holder of our underlying common stock until the warrant is exercised, and as such will not have any voting rights until the warrants are exercised and the underlying common stock has been issued.

To exercise a warrant, a warrant holder must deliver to our company the certificate representing the warrant on or before the warrant expiry date, together with a duly completed warrant exercise form (which is attached as a schedule to the warrant certificate) and payment of the full exercise price for the number of warrants being exercised.

The warrants issued to Auramet Trading, Nedbank, Mr. Hirsch and Mr. Seymour are subject to registration rights such that if there is no effective registration statement covering all of the underlying shares of common stock, and our company determines to prepare and file with the SEC a registration statement relating to an offering for its own account or the account of others under the Securities Act of 1933, as amended, of any of our equity securities (other than on Form S-4 or Form S-8 under the Securities Act of 1933, as amended, relating to equity securities to be issued solely in connection with any acquisition of any entity or business, or equity securities issuable in connection with stock incentive or other employee benefit plans), then we shall be required to send to the holder of such warrants written notice of such determination and, if within fifteen days after receipt of such notice, the holder shall so request in writing, we shall include in such registration statement all or any part of the shares the holder requests to be registered.

Mr. Carson's warrants were issued pursuant to a Settlement Agreement and General Release dated April 22, 2005. The agreement provides for registration rights respecting the underlying warrant shares, and with respect to an additional 250,000 shares of common stock issued on a fully paid and non-assessable basis to Mr. Carson under the agreement. We have agreed that if we propose to file a registration statement under the Securities Act of 1933, as amended, we shall, at the request of Mr. Carson, use our best efforts to include such shares in the registered offering.

The warrants are subject to certain anti-dilution provisions that will apply if we undertake certain corporate actions that broadly affect our common stock, such as: a reorganization of our capital; a reclassification of our capital stock; a consolidation or merger of our company with or into another corporation in which the former holders of our common stock would hold at least a majority of the common stock of the surviving corporation immediately following the consolidation or merger; a sale, transfer or other disposition of all or substantially all of our property or business to another corporation;

the declaration of a stock dividend or other distribution of common stock to our common stockholders; or a subdivision or consolidation of our outstanding shares of common stock into a greater or lesser number of shares.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of our financial condition, changes in financial condition and results of operations for the years ended December 31, 2006 and 2005, and for the nine months ended September 30, 2007, should be read in conjunction with our most recent audited consolidated financial statements and our unaudited interim financial statements included in this prospectus, and, in each case, the notes thereto, which are included in this prospectus. This discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this prospectus.

Our Plan of Operations

Until recently, our management has been focused on positioning our company to effect a public offering of its securities, while at the same time considering our strategic alternatives. Our management has worked to preserve our assets, in part by obtaining the following secured bridge loans in the third quarter of the fiscal year ended December 31, 2005:

- We obtained a secured loan in the amount of \$2,850,000 from Auramet Trading, LLC on October 17, 2005. Ronald Hirsch, our former Chief Executive Officer and the Chairman of our board of directors, funded \$1,850,000 of the loan pursuant to an Agreement for Credit Risk Participation dated October 17, 2005, between Auramet Trading and Mr. Hirsch. The agreement gave Mr. Hirsch a 65% interest in the loan and in all documents, instruments and collateral issued by Auramet Trading, as well as all payments, recoveries or distributions in connection with the loan. We used \$2,763,561 of the proceeds from this loan to pay off a pre-existing loan facility.
- On November 8, 2005, we obtained a secured loan in the amount of \$3,900,000 from Nedbank Limited, in which Auramet Trading participated through the contribution of the \$1,000,000 outstanding amount payable by us under the October 17, 2005 loan. We used \$1,860,175 of the proceeds from this loan to repay the portion of the Auramet Trading loan that was contributed by Mr. Hirsch, \$5,500 to pay the accrued interest on the Auramet Trading loan, \$50,000 to pay the legal fees of Auramet Trading in connection with the bridge loan, and \$100,000 to pay Nedbank's closing fee. In addition, we paid \$400,000 to Auramet Trading to purchase copper put options, and we applied the balance to fund our ongoing activities at the Johnson Camp property and for general corporate purposes. A secured promissory note was issued to Nedbank that provided for interest only payments at a rate of 9% per annum (later increased to 10% per annum), payable monthly, and the note was to mature on the earlier of May 8, 2006 or the closing of an equity offering in which we raise not less than \$25,000,000. We negotiated several extensions of the maturity date.

On May 31, 2006, Auramet Trading, acting through Nedbank, advanced an additional \$1,000,000 loan to our company. This amount was added to the outstanding principal under the existing \$3,900,000 secured loan from Nedbank. The bridge loan was fully repaid out of the net proceeds of our special warrant financing in June 2007.

In early 2006, it became apparent to our Company's management that, with the average price of copper remaining relatively high throughout this period, our company could be attractive to better-financed mining entities as a takeover target. On March 29, 2006, we were advised by Auramet that Platinum Diversified Mining, Inc. might be interested in acquiring an interest in our company.

On October 23, 2006, after several months of negotiations, we entered into an agreement and plan of merger (the Merger Agreement) with Platinum Diversified Mining, Platinum Diversified Mining USA, Inc. and PDM Merger Corp. PDM Merger Corp. is a wholly-owned subsidiary of Platinum Diversified Mining USA, which in turn is a wholly-owned subsidiary of Platinum Diversified Mining. The Merger Agreement contemplated that we would be acquired by Platinum Diversified Mining in an all cash merger, pursuant to which PDM Merger Corp. was to merge with and into our company, with our company continuing as the surviving corporation and a wholly-owned subsidiary of Platinum Diversified Mining. The consummation of the merger was subject to satisfaction of a number of conditions.

The merger did not close as scheduled on December 22, 2006. At the time, Platinum Diversified Mining advised us that its inability to close the merger resulted from the fact that it had been informed by KBC Peel Hunt, the nominated advisor in connection with Platinum Diversified Mining's application for re-admission to trading on the AIM, that, based on the position taken by the AIM, Platinum Diversified Mining was not to close the merger because it did not have formal loan documentation in place for its project financing. We subsequently entered into a settlement agreement dated March 7, 2007, with Platinum Diversified Mining and its subsidiaries which sets forth the terms and conditions of the settlement of the dispute and disagreements arising between us and the Platinum Diversified Mining from the failure of the merger to close. On September 24, 2007 we received the final payment of approximately \$2,200,000 pursuant to the settlement agreement, and in total we received \$3,600,000 from Platinum Diversified Mining and its subsidiaries in full and final settlement of all claims and disputes between us.

Since the merger did not proceed, we refocused our attention on positioning our company to begin mining and resume leaching operations at the Johnson Camp Mine. We commenced the reactivation process at the Johnson Camp Mine in late June 2007.

Our current reactivation plan includes estimated production of 25,000,000 pounds of copper per annum (with estimated copper cathode production of 12,500,000 pounds for calendar year 2008). The Johnson Camp Mine was previously operated by others between 1975 and 1986 and between 1990 and 1997 during which time approximately 31 million tons of ore was mined and from which approximately 157 million pounds of copper was recovered. However, we caution that the Johnson Camp Mine has no recent operating history upon which to base estimates of annual copper production, future cash flows or operating costs in respect of our planned operations at the Johnson Camp Mine. These and other estimates or projections 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. 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 property. There is no assurance that we will be able to meet these expectations and projections at an operational level.

Our mine operating plan calls for residual leaching of the existing old dumps, and an active leach program of newly mined ore. In order to begin full mining operations, we will have to complete the mine development plan outlined in the feasibility study. Our business and our ability to realize our business objectives and implement our operating plan is subject to a number of additional risks and uncertainties.

For further information, you should carefully read and consider the section of this prospectus entitled Risk Factors beginning on page 6 before buying any shares of our common stock..

Estimated Capital Costs

We expect initial capital costs to be approximately \$28,000,000. Such costs relate primarily to: (a) the rehabilitation of solution ponds (which will account for approximately \$2,400,000 of the

anticipated initial capital costs); (b) refurbishment and a modest expansion of the SW-EX copper production facility (approximately \$7,400,000); (c) completion of the installation of our primary stage crusher, and the purchase and installation of two secondary stage crushers and conveying equipment (approximately \$12,200,000); and (d) other project-related items (approximately \$5,800,000).

We estimate we will incur a further \$3,000,000 in capital costs in the following two years for expanding one or more of our existing leach pads. These cost figures do not include estimated reclamation bonding requirements and do not account for inflation, interest and other financing costs.

Planned Residual Leach Operations

We anticipate completing sufficient rehabilitation of the Johnson Camp Mine during the fourth quarter of 2007 to allow the production of copper from the existing heaps. Accordingly, our goal is to complete the first sale of copper cathode produced from previously mined ore no later than December 2007. In order to achieve this objective, we will first have to complete the following at an estimated aggregate cost of approximately \$10,000,000 (which is included in our estimate of initial capital costs of approximately \$28,000,000):

- reconstruction of three solution ponds and their related pump stations;
- rehabilitation of one-half of the solvent-extraction plant;
- rehabilitation of the tank farm;
- rehabilitation of leach solution pumps and pipelines;
- resumption of the application of sulphuric acid to the existing heaps;
- movement of approximately 800,000 tons of material from heap number 1 to other leach areas; and
- minor refurbishment of the eastern portion of the electro-winning plant.

Planned Mining Operations

We anticipate that it will take approximately eleven months from the start of construction to begin producing copper from new ore placed on the heaps. Specifically, we are targeting:

- completion of installation of the two-stage crusher and conveying equipment for April 2008;
- commencement of mining for May 2008; and
- initial cathode production from newly mined ore for August 2008.

During the third quarter of 2007 the following progress was made relative to the restart of residual leaching and mining operations at the Johnson Camp Mine:

Residual Leach Operations:

- Key operating staff hired and on site;
- Electrification of facility completed;

- Reconstruction of the main raffinate pond is nearly complete;
- Rehabilitation of the solvent-extraction plant is proceeding on schedule;
- Rehabilitation of leaching circuit is nearly complete;
- Resumption of application of sulfuric acid to the existing heaps commenced in late October 2007; and
- Movement of material from heap number 1 and 2 to other leach areas by the mining contractor is well underway.

Mining/Crushing Operations:

- Key operating staff hired and on site;
- Primary crusher has been relocated from Nevada to the Johnson Camp Mine;
- Secondary crushing system and agglomerator have been ordered with expected delivery on schedule.

We commenced further exploratory drilling on the Johnson Camp property in mid-July, 2007.

We plan to use a mining contractor to mine both the Burro and Copper Chief deposits, and our own employees for process activities.

Liquidity and Financial Resources

In the opinion of management, completion of the special warrant financing and execution of the credit facility with Nedbank has alleviated the company's risk as to its ability to continue as a going concern as disclosed in our annual report on Form 10-KSB for the year ended December 31, 2006 and our quarterly report on Form 10-QSB for the period ended March 31, 2007.

Cash and Working Capital

The following table sets forth our cash and working capital as of September 30, 2007 and 2006:

	2007	2006
Cash reserves	\$ 9,763,893	\$ 1,620,317
Working capital surplus (deficiency)	\$ 7,534,025 ⁽¹⁾	\$ (6,791,855) ⁽¹⁾

(1) Includes \$58,301 and \$5,691,075 in current portion long-term debt for 2007 and 2006, respectively.

Special Warrant Financing

We completed an offering of 30,666,700 special warrants on June 5, 2007. The special warrants were offered and sold at a price of \$0.75 per special warrant, for aggregate gross proceeds of \$23,000,025. Our net proceeds after payment of the costs of the offering, including agents' commissions, were \$21,334,368. Following completion of the offering, we applied a portion of the proceeds to fully repay the \$5,000,000 secured bridge loan to Nedbank Limited. We also paid a total of \$3,035,474 to certain officers and directors in satisfaction of various accrued and outstanding amounts payable to them including repayment of the \$564,812 outstanding amount under the \$600,000 revolving credit facility, \$315,000 associated with the TMD settlement, repayment of the 50% portion of the related party

convertible notes as stipulated in the related debt agreement, as amended, and \$2,023,633 in accrued and outstanding consulting fees, salaries, bonuses and fees to certain senior officers and directors which have been accrued over the last four years.

Credit Agreement With Nedbank Limited, as Lead Arranger

We have also entered into a Credit Agreement dated as of June 28, 2007 with Nedbank Limited, as administrative agent and lead arranger, which provides for a \$25,000,000 secured term loan credit facility that we plan to use to assist in financing the construction, start-up and operation of the Johnson Camp Mine. The Credit Agreement contemplates a series of term loans to be funded from time to time by a syndicate of lenders in response to draw-down requests by the company, with the aggregate amount of all term loans being \$25,000,000. The term loans will be available until the earlier of: (i) the date of termination of the lender commitments; (ii) the first principal repayment date; and (iii) June 30, 2008. The loans bear interest, payable in arrears, at an annual rate equal to the LIBOR for the interest period in effect plus a margin of 3.0% (3.5% during the initial reactivation period). In the event that we default under the Credit Agreement, an additional 3.0% interest will be payable in addition to such annual rate and all interest will be payable on demand. Additionally, the company has agreed to pay \$500,000 as a finders fee on the lenders \$25,000,000 term loan commitment, of which \$50,000 has been credited from a previously expired commitment.

The Credit Agreement is collateralized by substantially all of our assets, restricts the company from incurring certain additional debt, limits the company's ability to pay dividends and will be repaid beginning one year after the first drawdown and ending four years after the date of the first draw down, subject to certain prepayment provisions set forth in the Credit Agreement.

The obligations of each lender to fund the term loans under the Credit Agreement are subject to certain conditions as set forth in the Credit Agreement including among other things the implementation of a hedging program with respect to a specified percentage of copper output from the Johnson Camp Mine. The company commenced implementation of the hedging program in August 2007, refer to Footnote 7 Copper Price Protection Program of the Unaudited Financial Statements for further information.

We have not yet drawn down any principal under the Credit Agreement, but anticipate that we will draw down some funds in the fourth quarter of 2007.

Results Of Operations – Nine Months Ended September 30, 2007 and 2006

The following table sets forth our operating results for the nine months ended September 30, 2007, as compared with our operating results for the nine months ended September 30, 2006.

	Nine Months Ended		
	September 30, 2007	September 30, 2006	Change Increase/ (Decrease)
	(unaudited)	(unaudited)	(unaudited)
Net sales	\$ -	\$ -	\$ -
Operating expenses	3,997,919	4,732,821	(734,902)
Depreciation, depletion and amortization	78,350	62,510	15,840
Loss from operations	(4,076,269)	(4,795,331)	719,062
Other income (expense):			

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Interest expense	(482,589)	(1,371,786)	889,197
Gain on investments, net	-	2,020,739	2,020,739
	- 95 -		

	Nine Months Ended		
	September 30, 2007	September 30, 2006	Change Increase/ (Decrease)
	(unaudited)	(unaudited)	(unaudited)
Legal settlement	3,617,166	-	3,617,166
Miscellaneous income (expense)	466,389	270,904	195,485
Total other income (expense)	3,600,966	919,857	2,681,109
Income (loss) before income taxes	(475,303)	(3,875,474)	3,400,171
Provision for income taxes	-	-	-
Net income (loss)	\$ (475,303)	\$ (3,875,474)	3,400,171
		\$	

Net income (loss) per basic and diluted share of common stock:

Basic earnings (loss) per share of common stock	\$ (0.01)	\$ (0.12)
Weighted average number of basic common shares outstanding	34,667,008	33,532,891
Diluted earnings (loss) per share of common stock	\$ (0.01)	\$ (0.12)
Weighted average number of diluted common shares outstanding	34,667,008	33,532,891

Net Sales

We did not have any sales during the nine months ended September 30, 2007 and 2006 due to the fact that the Johnson Camp Mine was on a care and maintenance program during these periods.

Operating Expenses

Our operating expenses decreased from \$4,732,821 for the nine months ended September 30, 2006 to \$3,997,919 for the nine months ended September 30, 2007. This decrease was due primarily to a reduction of \$1,699,153 in professional fees. As indicated above, during the nine months ended September 30, 2007, we had incurred: (a) professional fees related mainly to (i) the terminated merger with Platinum Diversified Mining, (ii) the preparation of our SEC filings under the Exchange Act, and (iii) other activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production; and (b) the \$193,000 expense in connection with the settlement agreement with our former CEO. This decrease was partially offset by an increase of \$981,795 in drilling costs at Johnson Camp and Coyote Springs we incurred during 2007.

Depreciation, Depletion and Amortization

Our depreciation and amortization expense increased \$15,840 for the nine months ended September 30, 2007, as compared to the nine months ended September 30, 2006. This increase was due to additional fixed assets associated with the restart of Johnson Camp being placed in service during the third quarter of 2007.

- 96 -

Interest Expense

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

Interest expense decreased by \$889,197 for the nine months ended September 30, 2007 compared to the nine months ended September 30, 2006. This decrease was due primarily to a reduction in the amortization of debt issuance costs of \$388,799 and \$409,626 related to our outstanding \$5,000,000 secured bridge loan from Nedbank Limited and the outstanding \$600,000 revolving line of credit from related parties, respectively, as well as the accretion of expenses related to the issuance of warrants in conjunction with these transactions and a \$76,131 reduction in loan interest as a result of the repayment of the \$5,000,000 secured bridge loan from Nedbank Limited, the outstanding \$600,000 revolving line of credit and convertible notes from related parties in June 2007.

Gain on Investment

During the nine months ended September 30, 2006 we recognized a gain of \$2,020,739. In August 2006 we realized \$1,900,000 related to the settlement we reached with Titanium Resources Group in connection with the sale of our 13/15 fractional interest in SRL Acquisition No. 1 Limited. Additionally, for the nine months ended September 30, 2006 we recognized a gain of \$261,712 on our investment in Allied Gold. These gains were partially offset by realized losses on the copper put options we purchased in conjunction with the bridge loan from Nedbank during the nine months ended September 30, 2006.

Legal Settlement

During the nine months ended September 30, 2007 we received \$3,617,166, from Platinum Diversified Mining pursuant to the PDM Settlement Agreement entered into during the first quarter of 2007.

Miscellaneous Income

Miscellaneous income increased by \$195,485 for the nine months ended September 30, 2007 as compared to the nine months ended September 30, 2006. This increase was due primarily to a \$188,669 increase in interest income.

Net Income (Loss)

We experienced a net loss of \$475,303 for the nine months ended September 30, 2007 as compared to a net loss of \$3,875,474 for the nine months ended September 30, 2006. The decrease in net loss between these periods is primarily related to:

- reduction in operating costs and interest expense, as discussed above; and
- the legal settlement associated with the PDM Settlement Agreement during 2007, as discussed above.

Cash Flows From Operating Activities

Our cash flows from operating activities during the nine months ended September 30, 2007 and 2006 were (\$1,221,863) and \$846,068, respectively. Our cash flows from operating activities for the nine months ended September 30, 2007 include a decrease in accrued expenses of \$2,364,404 primarily for the payment of obligations that became due upon the completion of our special warrant financing. Our cash flows from operating activities during the nine months ended September 30, 2006 includes \$1,729,391 in proceeds we received from the sale of our investment in Allied Gold.

Cash Flows From Investing Activities

Our cash flows from investing activities during the nine months ended September 30, 2007 were (\$5,333,442) due primarily to capital expenditures related to the restart of Johnson Camp during this time period. During the nine months ended September 30, 2006 our cash flows from investing activities were (\$39,257) due primarily to the release of \$126,063 of restricted cash for the purchase of copper put options and \$109,068 in capital expenditures.

Cash Flows From Financing Activities

Our cash flows from financing activities during the nine months ended September 30, 2007 was \$15,311,363 compared to \$672,309 for the same period in 2006.

In February 2007, we received an additional \$100,000 loan from Auramet which had been added to the outstanding principal under the Nedbank bridge loan. After payment of \$75,000 in debt issuance costs associated with the extensions of the Nedbank bridge loan, we received \$25,000 in net loan proceeds.

As discussed above, in June 2007 we completed the special warrant offering for gross proceeds of \$23,000,025 of which \$1,665,657 was used to pay the direct offering expenses incurred as a result of the special warrant financing. We then used \$5,668,313 of those proceeds to repay our debt which consisted of the Nedbank bridge loan, the revolving credit facility and convertible notes.

Each special warrant is convertible into one fully-paid and non-assessable share of common stock and one-half of one common share purchase warrant for no additional consideration. The special warrants are governed by the terms of a special warrant indenture among our company, Computershare Trust Company of Canada, as the special warrant trustee, and Blackmont Capital Inc. The holder of a special warrant will not be deemed a holder of the underlying common stock or warrants until the special warrant is converted.

Under the terms of the special warrant indenture, we are required to:

- (a) file and obtain a receipt for a Canadian non-offering prospectus to qualify the issuance in Canada of the shares of common stock and the warrants issuable upon conversion of the special warrants; and,
- (b) file a registration statement under the *Securities Act of 1933*, as amended, in order to register the resale of (i) the shares issuable upon conversion of the special warrants, and (ii) the shares issuable upon exercise of the warrants.

If we fail to obtain a receipt for a final Canadian prospectus and effectiveness of the U.S. registration statement by December 3, 2007, we will be liable for a liquidity incentive payment to the investors equal to 1% per month (pro-rated), subject to a maximum liquidity incentive payment equal to an aggregate of 12% of the gross proceeds of the offering. We anticipate obtaining a receipt for the final Canadian prospectus and effectiveness of the U.S. registration statement by December 14, 2007, and we have recognized \$81,613 in expense related to the liquidity incentive. Since obtaining a receipt for the final Canadian prospectus and effectiveness of the U.S. registration statement are within the discretion of the responsible securities regulators, there is no assurance that these contingencies will be met by December 14, 2007.

The special warrants will expire on the earlier of:

- (a) the third business day following the date on which we obtain a receipt for the final Canadian prospectus;

(b) the date that is four months and one day following the date on which we become a reporting issuer under the securities legislation of any province or territory of Canada; and

(c) June 5, 2009, being the date which is two years following the date of the special warrant indenture.

The holder of a special warrant that has not expired in accordance with its terms may elect to convert its special warrant into the underlying shares of common stock and warrants at any time after December 3, 2007. Each special warrant that has not been converted by the holder will be converted by the special warrant trustee immediately prior to the time of its expiry without the need for any action on the part of the holder.

A total of 15,333,350 warrants are issuable upon conversion of the special warrants. Each warrant, when issued, will entitle the holder to purchase one share of common stock until June 5, 2012 at a price of \$1.10 per share. The warrants are governed by the terms of a warrant indenture between our company and Computershare Trust Company of Canada, as the warrant agent.

In connection with the special warrants offering our company entered into an agency agreement whereby we paid a cash commission of 6% of the gross proceeds realized from the sale of the special warrants to the agents and issued 1,840,002 stock options to the agents entitling them to acquire one share of common stock of our company at any time within the subsequent 24 month period at an exercise price of \$0.75. For financial reporting purposes, the stock options have been valued at \$513,436.

During the nine months ended September 30, 2007 we incurred \$721,418 in debt issuance costs in connection with the Credit Agreement with Nedbank, of which \$25,000 has been amortized in full.

Results Of Operations Years Ended December 31, 2006 and 2005

The following table sets forth our consolidated loss from operations during the fiscal years ended December 31, 2006 and 2005.

Consolidated Loss From Operations

	Year Ended December 31	
	2006	2005
Net sales	\$	\$
Operating expenses	7,135,628	3,091,237
Depreciation, depletion and amortization	83,347	83,347
Loss from operations	\$ (7,218,975)	\$ (3,174,584)

During 2006 and 2005, we continued to maintain the Johnson Camp Mine and expanded our focus to include the following activities with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp mine into production:

(i) preparation of our audited financial statements;

(ii) preparation of the filings required by the Securities and Exchange Commission in order to be current with our reporting obligations under the Securities Exchange Act of 1934, as amended; and

(iii) seeking interim financing necessary to enable us to continue our business operations.

As discussed above, we also spent much of the latter half of 2006 pursuing the merger with the Platinum Diversified Mining parties (the PDM Parties).

Net Sales

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

Operating Expenses

Our operating expenses increased from \$3,091,237 in 2005 to \$7,135,628 in 2006, an increase of \$4,044,391, due primarily to activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production and to complete the Merger Agreement with the PDM Parties. These costs consisted primarily of labor, salaries, wages, directors' fees and benefits of \$2,860,973, of which \$1,037,739 was stock-based compensation, consulting and professional services of \$2,276,092, \$1,094,624 related to the Merger Agreement, care and maintenance of Johnson Camp Mine of \$492,492 and other general and administrative of \$411,447. Care and maintenance of Johnson Camp Mine includes taxes, permitting, property, equipment rental, building maintenance, utilities and the like. Operating expenses categorized as other general and administrative consist primarily of the following: insurance - \$252,546; investor relations, printing and similar expenses - \$77,458; office rent - \$37,591; and miscellaneous - \$43,852.

Other Income

The following table sets forth our other income and expenses during the years ended December 31, 2006 and 2005:

	Year Ended December 31	
	2006	2005
Other income (expense)		
Interest expense	\$ (1,635,360)	\$ (1,659,976)
Gain on investment, net	2,020,739	1,540,106
Miscellaneous income	549,718	210,288
Total other income (expense)	\$ 935,097	\$ 90,418

The following discussion highlights some of the more significant items included in the foregoing table.

Interest and Other Expenses

Interest expense is attributable to interest that we pay on loans that we have obtained to fund our business operations.

During the years ended December 31, 2006 and 2005, we incurred \$1,635,360 and \$1,659,976, respectively, in total interest expense, as follows:

	Year Ended December 31	
	2006	2005
Amortized debt issuance costs	\$ 532,791	\$ 758,528
Accretion of discount on warrants	545,771	448,637
Regular interest	555,076	351,933
Beneficial conversion on convertible note	1,722	100,878
Total	\$ 1,635,360	\$ 1,659,976

- 100 -

Gain on Investment

During 2005, we sold a 2/15 fractional interest in our Class B share in SRL Acquisition No. 1 Limited in consideration of \$200,000 plus the amount of \$100,003 representing a pro rata estimate of the fixed dividend entitlement attaching to the Class B share and during 2006 we sold our remaining 13/15 fractional interest for \$1,900,000.

During 2005, we reclassified our investment in Allied Gold to marketable securities held for trading and, due to its increased market value, recognized a gain of \$1,406,617 on this investment. During 2006, we recognized an additional gain of \$261,712 on our investment in Allied Gold due to its increased market value during the year. Additionally, we recognized a loss of \$142,738 related to copper put options we purchased in connection with the Nedbank bridge loan facility. As of December 31, 2006, our company does not have any investment in Allied Gold nor is it a party to any copper put option positions.

Miscellaneous Income

Sources of miscellaneous income for the year ended December 31, 2005 were:

- Royalty income from landscape aggregate business of \$198,000; and
- Other income of \$12,000.

Sources of miscellaneous income for the year ended December 31, 2006 were:

- Royalty income from landscape aggregate business of \$276,000;
- \$195,000 in connection with the settlement of a dispute involving electric power credits; and
- Other income of \$79,000.

Net Loss

The following table reflects our net loss for the years ended December 31, 2006 and 2005, after taking into account the amounts recognized as other income or expenses.

	Year Ended December 31	
	2006	2005
Loss from operations	\$ (7,218,975)	\$ (3,174,584)
Total other income (expense)	935,097	90,418
Provision for income taxes		
Net Loss	\$ (6,283,878)	\$ (3,084,166)

We recorded a net loss of \$6,283,878 for the year ended December 31, 2006 as compared to a net loss of \$3,084,166 for the year ended December 31, 2005. We experienced an increase in the net loss between 2005 and 2006 as a result of a significant increase in operating expenses specifically related to:

- continued operating expenses associated with the care and maintenance of the Johnson Camp Mine, consisting primarily of taxes, permitting, property, equipment, building maintenance and utilities;
- a significant increase in directors' fees;
- professional fees associated with the Merger Agreement with Platinum Diversified Mining and its subsidiaries; and

- costs associated with activities undertaken by us with the ultimate objective of enabling us to pursue financing to bring the Johnson Camp Mine into production, as discussed above.

Critical Accounting Policies And Estimates

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

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

We believe that our critical accounting policies and estimates include the accounting for accounts receivable, marketable securities and long-lived assets reclamation costs, and accounting for legal contingencies.

Marketable Securities

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

Long-Lived Assets

Our company reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment loss is measured as the amount by which the asset carrying value exceeds its fair value. Fair value is generally determined using valuation techniques such as estimated future cash flows. An impairment is considered to exist if total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows for the Johnson Camp Mine include estimates of recoverable pounds of copper, copper prices (considering current and historical prices, price trends and related factors), production rates and costs, capital and reclamation costs as appropriate, all based upon detailed life-of-mine engineering plans and feasibility studies. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. No impairment losses were identified or recorded during the years ended December 31, 2006 and 2005 or the nine months ended September 30, 2007 and 2006.

Valuation of Stock Options and Warrants

From time to time our company issues stock options and warrants. The company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted. When determining the fair value of stock options, the expected forfeiture rate is based on historical employee rates. The expected term of the options granted is estimated using the formula set forth in Securities and Exchange Commission Staff Accounting Bulletin No. 107. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant and, in connection with the adoption of SFAS 123(R), Share-Based Payment, the expected volatility is based on the weighted historical volatility of the Company's common stock and that of its peer group.

Income Taxes

Our company uses the liability method to account for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the financial statements. Under applicable accounting rules, we are considered to be unlikely to recognize sufficient operating income to realize the benefit of these assets over time until we have had a reasonable history of net profits, which in some circumstances has been interpreted as requiring at least two consecutive years of net profits. Accordingly, we have recorded a deferred tax valuation allowance in 2007 and prior years to offset the entire deferred tax asset arising from our tax loss carry forward. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized, based upon criteria that include a recent history of demonstrated profits. We will continue to review this valuation allowance and make adjustments as appropriate. Income tax expense consists of the tax payable or refundable for the current period and the change during the period in net deferred tax assets and liabilities. A change of over 50% of our equity ownership will result in a change in ownership as defined in the Internal Revenue Code and underlying regulations, and will have the effect of limiting the availability of the tax loss carry forward.

Reclamation Costs

In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, Accounting for Asset Retirement Obligations, which established a uniform methodology for accounting for estimated reclamation and abandonment costs. This statement was adopted on January 1, 2003, when we recorded the estimated present value of reclamation liabilities and adjusted the carrying amount of the related asset. Reclamation costs are allocated to expense over the life of the related assets and are adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

We have estimated our asset retirement obligations using an expected cash flow approach, in which multiple cash flow scenarios were used to reflect a range of possible outcomes. We estimated the aggregate undiscounted obligation to be approximately \$400,000 for the Johnson Camp Mine. To calculate the fair value of this obligation, the projected cash flows were discounted at our company's estimated credit-adjusted, risk free interest rate of 10%. At September 30, 2007 and December 31, 2006, the recorded value of accrued reclamation costs was \$195,781 and \$182,122, respectively. We will recognize increases to our asset retirement obligation concurrently with the impact of our mining activity, if and when such additional mining activity occurs.

Litigation

Our company is periodically subject to various claims and legal proceedings arising in the ordinary course of business. If any adverse decisions or settlements occur, they may have a material

adverse effect on our financial position, or results of operations. Litigation, is inherently uncertain and we can make no assurance as to the ultimate outcome or effect.

Recently Issued Accounting Guidance

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

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* An Interpretation of FASB Statement No. 109 . This interpretation clarifies the accounting for uncertainty in income tax recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes* . This interpretation prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. This interpretation is effective for fiscal years beginning after December 15, 2006. We adopted the provisions of this standard on January 1, 2007; which had no material impact on our company's consolidated financial statements.

In June 2006 the FASB issued EITF Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement* . EITF Issue No. 06-3 applies to any taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction between a seller and customer, and may include but is not limited to sales, use, value added and some excise taxes. EITF Issue No. 06-3 requires an entity to disclose if taxes are presented in the income statement on a gross or net basis. Additionally, an entity that reports any such taxes on a gross basis should also disclose the amounts of those taxes in interim and annual financial statements for each period an income statement is presented if those amounts are significant. EITF Issue No. 06-3 applies with respect to any interim and annual reports filed after December 15, 2006. We adopted the provisions of EITF Issue No. 06-3 in January 2007; this has had no material impact on our company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We plan to adopt this standard beginning January 2008, and we do not anticipate that it will have a material impact on our company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plan-an amendment of FASB Statements No. 87, 88 106, and 132(R)*. SFAS No. 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 is effective for an issuer of publicly traded securities for financial statements issued for fiscal years ending after December 15, 2006. We adopted this standard beginning January 1, 2006; it has had no material impact on our company's consolidated financial statements.

In September 2006, the SEC issued SAB 108 which was issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet effective for any fiscal year beginning after November 15, 2005. We adopted this bulletin beginning January 1, 2006; which had no material impact on our company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We plan to adopt this standard beginning January 2008, at this time, it is uncertain if doing so will have a material impact on our consolidated financial statements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for our shares of common stock is American Stock Transfer at its offices in Brooklyn, New York.

LEGAL MATTERS

The valid issuance of the securities offered hereby will be opined upon for Nord Resources Corporation by Potter Anderson & Corroon LLP.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO NON-UNITED STATES HOLDERS

U.S. Federal Income Tax Consequences

The following is a summary of the anticipated material U.S. federal income tax consequences to a Non-U.S. Holder (as defined below) arising from the acquisition, ownership, and disposition of common stock.

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax consequences that may apply to a Non-U.S. Holder as a result of the acquisition, ownership, and disposition of common stock. In addition, this summary does not take into account the individual facts and circumstances of any particular Non-U.S. Holder that may affect the U.S. federal income tax consequences of the acquisition, ownership, and

disposition of common stock. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any Non-U.S. Holder. Each Non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the acquisition, ownership, and disposition of common stock.

Scope of this Disclosure

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended, referred to in this section as the Code, Treasury Regulations (whether final, temporary, or proposed), published rulings of the Internal Revenue Service (IRS), published administrative positions of the IRS, and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this registration statement. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis.

Non-U.S. Holders

For purposes of this summary, a Non-U.S. Holder is a beneficial owner of common stock that, for U.S. federal income tax purposes, is other than (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Non-U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common stock to Non-U.S. Holders that are subject to special provisions under the Code, including the following Non-U.S. Holders: (a) a Non-U.S. Holder that is a tax-exempt organization or governmental entity; (b) a Non-U.S. Holder that is a financial institution or insurance company; (c) a Non-U.S. Holder that is a dealer in securities or currencies or a Non-U.S. Holder that is a trader in securities that elects to apply a mark-to-market accounting method; (d) a Non-U.S. Holder that is liable for the alternative minimum tax under the Code; (e) a Non-U.S. Holder that owns common stock as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) a Non-U.S. Holder that acquired common stock in connection with the exercise of employee stock options or otherwise as compensation for services; (g) a Non-U.S. Holder that is a controlled foreign corporation under Section 957 of the Code; (h) a Non-U.S. Holder that is a passive foreign investment company under Section 1297 of the Code; (i) a Non-U.S. Holder that is a former citizen or long-term resident of the U.S. subject to Section 877 of the Code; or (j) a Non-U.S. Holder that holds common stock other than as a capital asset within the meaning of Section 1221 of the Code. Non-U.S. Holders that are subject to special provisions under the Code, including Non-U.S. Holders described immediately above, should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the acquisition, ownership, and disposition of common stock.

If an entity that is classified as partnership (or pass-through entity) for U.S. federal income tax purposes holds common stock, the U.S. federal income tax consequences to such partnership (or pass-through entity) and the partners of such partnership (or owners of such pass-through entity) generally will depend on the activities of the partnership (or pass-through entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (or owners of pass-through entities) for U.S. federal income tax purposes should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common stock.

Tax Consequences Other than U.S. Federal Income Tax Consequences Not Addressed

This summary does not address the U.S. state and local, U.S. federal estate and gift, or foreign tax consequences to Non-U.S. Holders of the acquisition, ownership, and disposition of common stock. Each Non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. state and local, U.S. federal estate and gift, and foreign tax consequences of the acquisition, ownership, and disposition of common stock.

U.S. Federal Income Tax Consequences of the Acquisition, Ownership, and Disposition of Common Stock

Distributions on Common Stock

A distribution by us, including a constructive distribution, with respect to the common stock will be treated as a dividend to the extent of our current or accumulated earnings and profits. To the extent that a distribution exceeds our current and accumulated earnings and profits, such distribution will be treated (a) first, as a tax-free return of capital to the extent of a Non-U.S. Holder's tax basis in the common stock and, (b) thereafter, as gain from the sale or exchange of such common stock. (See more detailed discussion at *Disposition of common stock* below).

Except as discussed below, a dividend paid by us to a Non-U.S. Holder should be subject to U.S. federal income tax at a rate of 30% (or a reduced rate under an income tax treaty) on the gross amount of such dividend. We generally will be required to withhold this U.S. federal income tax upon the payment of a dividend to a Non-U.S. Holder. In order to obtain a reduced U.S. federal income tax rate under an income tax treaty, a Non-U.S. Holder generally must complete and file a Form W-8BEN. Each Non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the procedure for claiming a reduced U.S. federal income tax rate under an income tax treaty.

A dividend paid by us to a Non-U.S. Holder that is effectively connected with the conduct of a trade or business within the U.S. by such Non-U.S. Holder (or, if an income tax treaty applies, is attributable to a permanent establishment or fixed base in the U.S. of such Non-U.S. Holder) should be subject to U.S. federal income tax on a net income basis at normal graduated U.S. federal income tax rates. In addition, such a dividend may also be subject to a 30% U.S. branch profits tax (or reduced U.S. branch profits tax rate under an income tax treaty) if the recipient Non-U.S. Holder is a corporation. Such a dividend generally should not be subject to the U.S. federal withholding tax described above if a Non-U.S. Holder completes and files a Form W-8ECI. For taxable years beginning before January 1, 2009, such a dividend generally should be taxed at the preferential tax rates applicable to long-term capital gains if (a) the Non-U.S. Holder receiving such dividend is an individual, estate, or trust, and (b) such dividend is paid on common stock that has been held by such Non-U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the ex-dividend date.

Disposition of Common Stock

A Non-U.S. Holder will recognize gain or loss on the sale or other taxable disposition of common stock in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such Non-U.S. Holder's tax basis in the common stock sold or otherwise disposed of. Gain, if any, recognized by a Non-U.S. Holder on the sale or other taxable disposition of common stock should not be subject to U.S. federal income tax, except as follows:

- Gain recognized by a Non-U.S. Holder that is effectively connected with the conduct of a trade or business within the U.S. by such Non-U.S. Holder (or, if an income tax treaty applies, is attributable to a permanent establishment or fixed base in the U.S. of such Non-U.S. Holder) should be subject to U.S. federal income tax on a net income basis at normal graduated U.S. federal income tax rates. Preferential tax rates generally should apply to long-term capital gains of a Non-U.S. Holder that is an individual, estate, or trust. Deductions for capital losses and net capital losses are subject to complex limitations under the Code. There are currently no preferential tax rates for long-term capital gains of a Non-U.S. Holder that is a corporation. In addition, such gain may also be subject to a 30% U.S. branch profits tax (or reduced U.S. branch profits tax rate under an income tax treaty) if the Non-U.S. Holder is a corporation.
- Gain recognized by a Non-U.S. Holder who is an individual and who is present in the U.S. for 183 days or more during the taxable year of the sale or other taxable disposition of the common stock (and who satisfies certain other conditions) should be subject U.S. federal income tax at a rate of 30%, which gain generally may be offset by U.S. source capital losses.
- Gain recognized by a Non-U.S. Holder should, except as discussed below, 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 United States real property holding corporation under Section 897(c) of the Code (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-U.S. Holder's holding period for the common stock, if shorter). Preferential tax rates generally should apply to long-term capital gains of a Non-U.S. Holder that is an individual, estate, or trust. Deductions for capital losses and net capital losses are subject to complex limitations under the Code. There are currently no preferential tax rates for long-term capital gains of a Non-U.S. Holder that is a corporation. In addition, such gain may also be subject to a 30% U.S. branch profits tax (or reduced U.S. branch profits tax rate under an income tax treaty) if the Non-U.S. Holder is a corporation. 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-U.S. Holder's holding period for the common stock, if shorter). We generally will be a USRPHC if the fair market value of our United States real property interests as defined in Section 897(c) of the Code (USRPIs) equals or exceeds 50% of the aggregate fair market value of (a) our USRPIs, (b) our interests in foreign real property, and (c) our other assets that are used or held for use in a trade or business. We believe that we currently are a USRPHC and that there is a substantial likelihood that we will continue to be USRPHC. There can be no assurances, however, that the common stock will be regularly traded on an established securities market. Each Non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding our potential qualification as a USRPHC and whether the common stock is regularly traded on an established securities market.

Information Reporting; Backup Withholding Tax

We generally will be required to report certain information to the IRS upon the payment of a dividend to a Non-U.S. Holder (regardless of whether any withholding of tax was required by us). Copies of these information returns also may be made available under the provisions of a specific income tax

treaty in which the Non-U.S. Holder is a resident. Dividends paid by us to a Non-U.S. Holder generally will be subject to U.S. backup withholding tax at the rate of 28%, unless a Non-U.S. Holder certifies its non-U.S. status (generally on Form W-8BEN) or otherwise establishes an exemption.

The payment of proceeds from the sale or other taxable disposition of common stock effected by or through a U.S. office of a broker (whether U.S. or foreign) generally will be subject to information reporting to the IRS and U.S. backup withholding tax at the rate of 28%, unless a Non-U.S. Holder certifies its non-U.S. status (generally on Form W-8BEN) or otherwise establishes an exemption. The payment of proceeds from the sale or other taxable disposition of common stock effected by or through a foreign office of a foreign broker generally will not be subject to information reporting to the IRS or U.S. backup withholding tax. The payment of proceeds from the sale or other taxable disposition of common stock effected by or through a foreign office of broker generally will be subject to information reporting to the IRS (but not U.S. backup withholding tax) if such broker is (a) a U.S. person, (b) a foreign person that derived 50% or more of its gross income for certain periods from the conduct of a trade or business within the U.S., (c) a controlled foreign corporation under Section 957 of the Code, or (d) a foreign partnership at least 50% of the capital or profits interest in which is owned by U.S. persons or that is engaged in a trade or business within the U.S., unless such broker has documentary evidence of a Non-U.S. Holder's non-U.S. status or the Non-U.S. Holder otherwise establishes an exemption.

Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a Non-U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such Non-U.S. Holder furnishes required information to the IRS. Each Non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the information reporting and U.S. backup withholding tax rules.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of substantial amounts of our common stock in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of our common stock or make it difficult for us to raise additional equity capital in the future.

Rule 144

Rule 144 provides a safe harbor from the registration requirements of the Securities Act of 1933, as amended, to facilitate the resale of restricted securities, and the resale of both restricted and non-restricted securities held by our affiliates.

In general, under Rule 144, a person (or persons whose shares are aggregated) who owns restricted securities (including shares of our common stock) that were acquired from us or one of our affiliates in a transaction that was not registered under the Securities Act of 1933, as amended, at least one year prior to the proposed sale, will be entitled to sell, in any three-month period, a number of shares that does not exceed the greater of (a) 1% of the then-outstanding shares of our common stock, which will equal approximately 665,878 shares after conversion of the special warrants into the underlying common stock and common stock purchase warrants, or (b) the average weekly trading volume in our common stock on all national securities exchanges (such as the American Stock Exchange) and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding the date on which notice of such sale is filed with the Securities and Exchange Commission on Form 144. The Pink Sheets LLC (currently the only market for our company's common stock) and the OTC Bulletin Board do not qualify as automated quotation system for the purposes of Rule 144.

In addition, our affiliates must comply with the restrictions and requirements of Rule 144, other than the one-year holding period requirement, in order to publicly sell shares of our common stock that are not restricted securities.

Sales under Rule 144 are also subject to certain requirements concerning availability of public information, manner of sale, and notice of sale. One such requirement is that our company must have filed all reports that are required to be filed under section 13 of the Securities Exchange Act of 1934, as amended during the 12 month period preceding the date of sale.

On November 15, 2007, the Securities and Exchange Commission adopted certain amendments to Rule 144, including a reduction of the holding period applicable to restricted securities from one year to six months. As amended, Rule 144 will allow stockholders who have not been affiliates of our company for at least three months to freely resell restricted securities after the six month holding period has expired, without any volume or manner of sale restrictions, provided that the existing requirements under Rule 144 concerning the availability of public information about our company are met. These amendments will take effective thirty days after they are published in the Federal Register.

Rule 144(k)

Under Rule 144(k), a stockholder who is not one of our affiliates and has not been our affiliate for at least three months prior to the sale and who has beneficially owned restricted shares of our common stock for at least two years may resell the shares without limitation. The amendments adopted by the Securities and Exchange Commission on November 15, 2007 include a reduction this two year period to twelve months.

Calculation of Holding Periods under Rule 144

In meeting the holding periods described above, a holder of restricted shares of our common stock can include the holding periods of a prior owner who was not our affiliate. The holding periods described above do not begin to run until the full purchase price is paid by the person acquiring the restricted shares of our common stock from us or one of our affiliates.

PLAN OF DISTRIBUTION

The selling stockholders may, from time to time, sell all or a portion of the shares of common stock on any market upon which the common stock may be quoted, in privately negotiated transactions or otherwise. Our common stock is quoted on the Pink Sheets LLC under the symbol NRDS . On November 15, 2007, the high and low bid prices for one share of our common stock, as provided by Commodity Systems, Inc., were \$1.14 and \$1.04, respectively; the closing bid price for one share of our common stock on that date, as provided by Commodity Systems, Inc., was \$1.05. We do not have any securities that are currently traded on any other exchange or quotation system.

It is anticipated that the selling stockholders will offer to sell the shares of common stock being offered in this prospectus at prevailing market prices of our common stock on the Pink Sheets LLC until our common stock is quoted on the OTC Bulletin Board or another quotation medium or stock market, and, thereafter, at prevailing market prices on such quotation medium or stock market. There is no relationship whatsoever between the offering price and our assets, earnings, book value or any other objective criteria of value. We will not receive any proceeds from the resale of shares of our common stock by the selling stockholders. We may receive proceeds from the exercise of warrants, if exercised, and will use such proceeds for general corporate purposes and potentially to repay corporate debt.

The shares of common stock being offered by this prospectus may be sold by the selling stockholders by one or more of the following methods, without limitation:

- (a) block trades in which the broker or dealer so engaged will attempt to sell the shares of common stock as agent but may position and resell a portion of the block as principal to facilitate the transaction;

- (b) purchases by broker or dealer as principal and resale by the broker or dealer for its account pursuant to this prospectus;
- (c) an exchange distribution in accordance with the rules of the applicable exchange;
- (d) ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- (e) privately negotiated transactions;
- (f) market sales (both long and short to the extent permitted under the federal securities laws);
- (g) at the market to or through market makers or into an existing market for the shares;
- (h) through transactions in options, swaps or other derivatives (whether exchange listed or otherwise); and
- (i) a combination of any of the aforementioned methods of sale.

In the event of the transfer by the selling stockholder of its shares to any pledgee, donee or other transferee, we will amend this prospectus and the registration statement of which this prospectus forms a part by the filing of a post-effective amendment in order to have the pledgee, donee or other transferee in place of the selling stockholder who has transferred his or her shares.

In effecting sales, brokers and dealers engaged by a selling stockholder may arrange for other brokers or dealers to participate. Brokers or dealers may receive commissions or discounts from the selling stockholder or, if any of the broker-dealers act as an agent for the purchaser of such shares, from the purchaser in amounts to be negotiated which are not expected to exceed those customary in the types of transactions involved. Broker-dealers may agree with a selling stockholder to sell a specified number of the shares of common stock at a stipulated price per share. Such an agreement may also require the broker-dealer to purchase as principal any unsold shares of common stock at the price required to fulfil the broker-dealer commitment to the selling stockholder if such broker-dealer is unable to sell the shares on behalf of the selling stockholder. Broker-dealers who acquire shares of common stock as principal may thereafter resell the shares of common stock from time to time in transactions which may involve block transactions and sales to and through other broker-dealers, including transactions of the nature described above. Such sales by a broker-dealer could be at prices and on terms then prevailing at the time of sale, at prices related to the then-current market price or in negotiated transactions. In connection with such resales, the broker-dealer may pay to or receive from the purchasers of the shares commissions as described above.

A selling stockholder and any broker-dealers or agents that participate with that selling stockholder in the sale of the shares of common stock may be deemed to be "underwriters" within the meaning of the Securities Act of 1933, as amended, in connection with these sales. In that event, any commissions received by the broker-dealers or agents and any profit on the resale of the shares of common stock purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act of 1933, as amended.

From time to time, a selling stockholder may pledge its shares of common stock pursuant to the margin provisions of its customer agreements with its brokers. Upon a default by a selling stockholder, the broker may offer and sell the pledged shares of common stock from time to time. Upon a sale of the shares of common stock, the selling stockholders intend to comply with the prospectus delivery requirements under the Securities Exchange Act of 1933, as amended, by delivering a prospectus to each purchaser in the transaction. We intend to file any amendments or other necessary documents in

compliance with the Securities Exchange Act of 1933, as amended, which may be required in the event a selling stockholder defaults under any customer agreement with brokers.

To the extent required under the Securities Exchange Act of 1933, as amended, a post effective amendment to this registration statement will be filed, disclosing the name of any broker-dealers, the number of shares of common stock involved, the price at which the common stock is to be sold, the commissions paid or discounts or concessions allowed to such broker-dealers, where applicable, that such broker-dealers did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus and other facts material to the transaction.

We and the selling stockholders will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations under it, including, without limitation, Rule 10b-5 and, insofar as a selling stockholder is a distribution participant and we, under certain circumstances, may be a distribution participant, under Regulation M. All of the foregoing may affect the marketability of the common stock.

All expenses of the registration statement including, but not limited to, legal, accounting, printing and mailing fees are and will be borne by us. Any commissions, discounts or other fees payable to brokers or dealers in connection with any sale of the shares of common stock will be borne by the selling stockholder, the purchasers participating in such transaction, or both.

Any shares of common stock covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act of 1933, as amended, may be sold under Rule 144 rather than pursuant to this prospectus.

EXPERTS

The consolidated financial statements as of December 31, 2006, and for each of the two years in the period ended December 31, 2006 included in this prospectus and elsewhere in the registration statement have been audited by Mayer Hoffman McCann P.C., independent registered public accounting firm, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in auditing and accounting in giving said reports.

The estimates of our mineralized material have been included in this prospectus in reliance upon *Johnson Camp Mine Project Feasibility Study, Cochise County, Arizona, Technical Report* pursuant to National Instrument 43-101 of the Canadian Securities Administrators, prepared by Dr. Michael Bikerman, Ph.D, PG, Mr. David Bikerman, M.S., E.M., Mr. Thomas McGrail, Eng. , of Bikerman Engineering & Technology Associates, Inc. and Mr. Dale Deming, P.E., of Dale A. Deming, P.E. (sole proprietorship).

INTEREST OF NAMED EXPERTS AND COUNSEL

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock offered hereby was employed on a contingency basis, or had, or is to receive, in connection with such offering, an interest, direct or indirect, in our company, nor was any such person connected with our company as an underwriter, voting trustee, director, officer, or employee.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL MATTERS

Mayer Hoffman McCann P.C. has been appointed as our independent registered public accounting firm effective May 2004, with the approval of our board of directors. There have been no disagreements between us and Mayer Hoffman McCann P.C. on any matter of accounting principles, practices or financial statement disclosure.

WHERE YOU CAN FIND MORE INFORMATION

We are required to file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission. Our Securities and Exchange Commission filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>.

You may also read and copy any materials we file with the Securities and Exchange Commission at the Public Reference Section of the SEC, at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our filings and the registration statement can also be reviewed by accessing the SEC's website at <http://www.sec.gov>.

No finder, dealer, sales person or other person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by Nord Resources Corporation. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date of this prospectus.

GLOSSARY OF TECHNICAL TERMS

SEC Industry Guide 7 Definitions

- reserve** The term *reserve* refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study done to bankable standards that demonstrates the economic extraction. (*Bankable standards* implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tons and grade to include diluting materials and allowances for losses that might occur when the material is mined.
- proven (measured) reserve** The term *proven reserve* refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape depth and mineral content of reserves are well-established.
- probable (indicated) reserve** The term *probable reserve* refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
- mineralized material** The term *mineralized material* refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
- exploration stage** An *exploration stage* prospect is one which is not in either the development or production stage.
- production stage** A *production stage* project is actively engaged in the process of extraction and beneficiation of mineral reserves to produce a marketable metal or mineral product.

Definitions of Technical Terms

Following are definitions of certain technical terms used in this prospectus.

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

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

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

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

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

Chrysocolla. A monoclinic mineral that is soft and bluish green to emerald green. It forms incrustations and thin seams in oxidized parts of copper mineral veins, and is a source of copper.

Column Test. A test where dry ore samples of various particle sizes are placed into columns (pipes) of a selected length and diameter, and then acidified leach solutions are circulated through the column for various periods of time. Column test data is used to determine such heap leach operating parameters as: acid cure and no cure, acid cure dosage, acid cure time, crush size, irrigation rate, reagent acid concentration, lift height and temperature.

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

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

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

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

Internal Rate of Return (IRR). The rate of return that would make the present value of future cash flows plus the final market value of an investment or business opportunity equal to the current market price of the investment or opportunity.

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

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

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

Malachite. A monoclinic mineral that is bright green. It is dimorphous with georgeite and occurs with azurite in oxidized zones of copper deposits. It is a source of copper.

Manganiferous. Something that contains manganese.

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

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

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

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

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

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

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

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

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

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

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

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

Reverse Circulation. The circulation of bit-coolant and cuttings-removal liquids, drilling fluid, mud, air, or gas down the borehole outside the drill rods and upward inside the drill rods. Often used to describe an

- 116 -

advanced drilling and sampling method that takes a discrete sample from a drill interval with the objective of maintaining sample integrity.

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

Resource. The measurement of size and grade of a mineral deposit, without any inferred economic parameters.

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

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

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

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

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

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

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

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

FINANCIAL INFORMATION**Index to Consolidated Financial Statements
September 30, 2007 and 2006:**

	Page
<u>Condensed Consolidated Balance Sheet as of September 30, 2007</u>	<u>F-2</u>
<u>Condensed Consolidated Statements of Operations for the nine months ended September 30, 2007 and 2006</u>	<u>F-3</u>
<u>Condensed Consolidated Statement of Changes in Stockholders' Equity (Deficit) for the nine months ended September 30, 2007</u>	<u>F-4</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006</u>	<u>F-5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>F-6</u>
December 31, 2006 and 2005:	
<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-14</u>
<u>Consolidated Balance Sheet as of December 31, 2006</u>	<u>F-15</u>
<u>Consolidated Statements of Operations for the Years Ended December 31, 2006 and 2005</u>	<u>F-17</u>
<u>Consolidated Statements of Changes in Stockholders' Deficit for the Years Ended December 31, 2006 and 2005</u>	<u>F-18</u>
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2006 and 2005</u>	<u>F-19</u>
<u>Notes to Consolidated Financial Statements</u>	<u>F-20</u>

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2007
(Unaudited)

ASSETS

Current Assets:

Cash and cash equivalents	\$ 9,763,893
Accounts receivable	79,089
Prepaid expenses and other	77,940

Total Current Assets	9,920,922
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Property and Equipment, at cost:

Property and equipment	3,924,031
Less accumulated depreciation and amortization	(1,415,193)
	2,508,838
Construction in progress	4,707,726

Net Property and Equipment	7,216,564
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Other Assets:

Restricted cash	688,201
Debt issuance costs, net of accumulated amortization	696,418

Total Other Assets	1,384,619
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Total Assets	\$ 18,522,105
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LIABILITIES AND STOCKHOLDERS EQUITY

Current Liabilities:

Accounts payable	\$ 1,874,477
Accrued expenses	454,119
Current maturities of long-term debt	45,801
Current maturity of capital lease obligation	12,500

Total Current Liabilities	2,386,897
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Long-Term Liabilities:

Derivative contracts	9,454,750
Accumulated reclamation costs	195,781
Other	66,152

Total Long-Term Liabilities	9,716,683
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Total Liabilities	12,103,580
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Commitments and contingencies

Stockholders' Equity:

Common stock: \$.01 par value, 100,000,000 shares authorized, 35,778,095 shares issued and outstanding	357,781
Additional paid-in capital	87,632,526
Special warrants	20,820,932
Accumulated deficit	(92,937,964)
Accumulated other comprehensive income (loss)	(9,454,750)
Total Stockholders' Equity	6,418,525
Total Liabilities and Stockholders' Equity	\$ 18,522,105

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(Unaudited)

	2007	2006
Net sales	\$ -	\$ -
Operating expenses	3,997,919	4,732,821
Depreciation, depletion and amortization	78,350	62,510
Loss from operations	(4,076,269)	(4,795,331)
Other income (expense):		
Interest expense	(482,589)	(1,371,786)
Gain on investments, net	-	2,020,739
Legal settlement	3,617,166	-
Miscellaneous income	466,389	270,904
Total other income (expense)	3,600,966	919,857
Loss before income taxes	(475,303)	(3,875,474)
Provision for income taxes	-	-
Net loss	\$ (475,303)	\$ (3,875,474)
Net Loss Per Basic and Diluted Share of Common Stock:		
Weighted average number of common shares outstanding	34,667,008	33,532,891
Net loss per share of common stock	\$ (0.01)	\$ (0.12)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Special Warrants	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
Balance at December 31, 2006	34,018,043	\$ 340,181	\$ 85,563,087	\$ -	\$ (92,462,661)	\$ -	\$ (6,000,000)
Comprehensive loss:							
Net loss	-	-	-	-	(475,303)	-	(475,303)
Cash flow hedge, net	-	-	-	-	-	(9,454,750)	(9,454,750)
Comprehensive loss	-	-	-	-	-	-	(9,929,053)
Common stock issued for Coyote Springs	33,332	333	36,332	-	-	-	36,665
Common stock issued to settle accounts payable	139,880	1,399	161,601	-	-	-	162,980
Exercise of warrants	717,160	7,171	350,180	-	-	-	357,351
Compensation expense from issuance of stock options	-	-	625,756	-	-	-	625,756
Issuance of special warrants (net of offering costs of \$2,179,093)	-	-	-	20,820,932	-	-	20,820,932
Issuance of stock options in connection with special warrant financing	-	-	513,436	-	-	-	513,436
Common stock issued for deferred stock units	90,027	901	(901)	-	-	-	-
Conversion of convertible notes, related party	679,653	6,796	125,884	-	-	-	686,473
Warrants issued in connection with bridge loan	-	-	85,846	-	-	-	85,846
Compensation expense from issuance of deferred stock units	-	-	92,305	-	-	-	92,305
Common stock issued for services	100,000	1,000	79,000	-	-	-	79,000
Balance at September 30, 2007	35,778,095	\$ 357,781	\$ 87,632,526	\$ 20,820,932	\$ (92,937,964)	\$ (9,454,750)	\$ 6,000,000

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

F-4

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(Unaudited)

	2007	2006
Cash Flows From Operating Activities:		
Net loss	\$ (475,303)	\$ (3,875,474)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	78,350	62,510
Accretion expense on accrued reclamation costs	13,659	11,976
Amortization of debt issuance costs	100,000	483,791
Write-off of deferred offering costs	-	397,803
Write-off of deposit on abandoned financing	-	50,000
Accretion of discount on debt	85,846	500,481
Stock option mark to market adjustment	-	26,250
Copper put options mark to market adjustment	-	142,738
Issuance of common stock and deferred stock units for services rendered	172,305	336,010
Issuance of stock options for services rendered	625,756	477,239
Gain on sale of securities held for trading	-	(261,712)
Proceeds from sale of securities held for trading	-	1,729,391
Beneficial conversion feature recorded as interest expense	-	1,722
Changes in assets and liabilities:		
Accounts receivable	(74,162)	(117,705)
Other assets	(46,997)	(118,078)
Accounts payable	663,087	144,508
Accrued expenses	(2,364,404)	854,618
Net Cash Provided (Used) By Operating Activities	(1,221,863)	846,068
Cash Flows From Investing Activities:		
(Increase) decrease in restricted cash	(688,201)	126,063
Purchase of copper put options	-	(56,252)
Capital expenditures	(441,551)	(109,068)
Construction in progress	(4,203,690)	-
Net Cash (Used) By Investing Activities	(5,333,442)	(39,257)
Cash Flows From Financing Activities:		
Deferred financing costs	-	(245,805)
Debt issuance costs	(721,418)	(161,065)
Principal payments on notes payable	(5,668,313)	-
Proceeds from issuance of notes payable	25,000	1,011,242
Principal payments on capital leases	(15,625)	(14,063)
Proceeds from issuance of special warrants	23,000,025	-
Offering costs paid in connection with special warrant financing	(1,665,657)	-
Proceeds from exercise of warrants	357,351	-
Proceeds from issuance of common stock	-	82,000
Net Cash Provided By Financing Activities	15,311,363	672,309

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Net Increase in Cash and Cash Equivalents	8,756,058	1,479,120
Cash and Cash Equivalents at Beginning of Period	1,007,835	141,197
Cash and Cash Equivalents at End of Period	\$ 9,763,893	\$ 1,620,317

Supplemental Disclosure of Cash Flow Information:

Cash paid during the period for:

Interest	\$ 290,368	\$ 377,567
Income taxes	-	-

Supplemental Disclosure of Non-cash Investing and Financing Activities:

Common stock issued for purchase of property	36,665	29,010
Stock options issued for purchase of property	-	20,340
Stock options issued in connection with special warrant financing	513,436	-
Warrants issued in connection with debt facilities	85,846	260,729
Common stock issued for settlement of accounts payable	163,000	36,924
Common stock issued in exchange for deferred stock units	901	-
Debt issuance costs paid through notes payable	75,000	-
Common stock issued upon conversion of related party convertible notes	132,680	-
Mark to market of cash flow hedges	9,454,750	-

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

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

1. FINANCIAL STATEMENTS

The accompanying financial information of Nord Resources Corporation (the Company) is prepared in accordance with the rules prescribed for filing condensed interim financial statements and, accordingly, does not include all disclosures that may be necessary for complete financial statements prepared in accordance with U.S. generally accepted accounting principles. The disclosures presented are sufficient, in management's opinion, to make the interim information presented not misleading. All adjustments, consisting of normal recurring adjustments which are necessary so as to make the interim information not misleading, have been made. Results of operations for the nine months ended September 30, 2007 are not necessarily indicative of results of operations that may be expected for the year ending December 31, 2007.

2. STOCK-BASED COMPENSATION

Stock Options

Beginning January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment, using the modified prospective application method. The Company has granted incentive and non-qualified stock options to its directors under terms of its 2006 Stock Incentive Plan. The Company has also granted non-qualified, non-plan stock options, which have been authorized by the Company's board of directors. Stock options are generally granted at an exercise price equal to or greater than the quoted market price on the date of grant.

There are 6,415,001 stock options outstanding at September 30, 2007, of which 3,715,001 are non-qualified, non-plan stock options and 2,700,000 have been issued pursuant to the Company's 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2008 to 2017.

The Company granted 2,100,000 stock options to employees and directors during the nine months ended September 30, 2007. The Company recognized \$625,756 in compensation expense related to employee and director stock options for the nine months ended September 30, 2007. During the nine months ended September 30, 2006 the Company granted 1,975,000 stock options to employees and directors and recognized \$477,239 compensation expense.

As summarized in the following table, no stock options were exercised during the nine months ended September 30, 2007 and a total of 449,999 stock options either expired or were cancelled in accordance with their terms during the nine month period ended September 30, 2007.

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

	Number of Shares	Weighted Average Exercise Price
Nine Months Ended September 30, 2007		
Options outstanding at December 31, 2006	2,924,998	\$.79
Granted	3,940,002	.73
Exercised	-	-
Cancelled/Expired	(449,999)	1.61

Options outstanding at September 30, 2007 6,415,001 \$.70

The following table summarizes certain additional information about the Company's total and exercisable stock options outstanding as of September 30, 2007:

	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Intrinsic Value
Total stock options	6,415,001	5.0	\$.70	\$ 4,958,800
Exercisable stock options	4,815,001	3.7	.68	3,819,800

The market price of the Company's common stock on September 30, 2007 was \$1.47 per share. The weighted average exercise price of the total and exercisable stock options was \$0.70 and \$0.68, respectively. Accordingly, the intrinsic value of such total stock options and exercisable stock options was \$4,958,800 and \$3,819,800, respectively.

The following table summarizes the unvested stock options outstanding as of September 30, 2007:

	Number of Options	Weighted Average Grant Date Fair Value
Nine Months Ended September 30, 2007		
Non-vested options outstanding at December 31, 2006	533,333	\$.78
Granted	3,940,002	.42
Vested	(2,806,668)	.39
Cancelled/Forfeited	(66,667)	.78
Non-vested Options outstanding at September 30, 2007	1,600,000	\$.57

The total grant date fair value of options vested during the nine months ended September 30, 2007 was \$1,097,916. The Company recognizes stock option compensation expense on stock options with a graded vesting schedule on a straight line basis over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. As of September 30, 2007, 1,600,000 stock options remained unvested, resulting in \$567,389 in compensation expense to be recognized over 1.8 years.

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

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted. When determining the fair value of stock options, the expected forfeiture rate is based on historical employee rates. The expected term of the options granted is estimated using the formula set forth in Securities and Exchange Commission Staff Accounting Bulletin No. 107. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant and, in connection with the adoption of SFAS 123(R), Share-Based Payment, the expected volatility is based on the weighted historical volatility of the Company's common stock and that of its peer group.

The Company granted 3,940,002 and 2,074,999 (2006 includes 99,999 stock options issued pursuant to the Coyote Springs property option agreement) stock options during the nine month periods ended September 30, 2007 and 2006, respectively. The fair values for the stock options granted during the nine month periods ended September 30, 2007 and 2006 were estimated at the respective dates of grant using the Black-Scholes option pricing model with the following assumptions:

	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Risk-free interest rate	4.9% to 5.0%	4.5% to 4.9%
Expected life	2.0 to 5.5 years	1.5 to 5.5 years
Expected volatility	78% to 91%	60% to 90%
Expected dividend yield	0%	0%

Deferred Stock Units

During the nine months ended September 30, 2007 and 2006, certain equity-based fees have been paid to the Company's non-executive directors in the form of awards issued pursuant to the Company's 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units (DSUs). Each of the Company's non-executive directors exercised such rights in respect of the equity-based fees payable to them for the nine months ended September 30, 2007 and 2006. Accordingly, during the nine months ended September 30, 2007, the Company credited a total of 108,513 DSUs, to its non-executive directors, and recognized expenses of \$92,305, related to the issuance of these DSUs. During the nine months ended September 30, 2006 the Company credited a total of 114,433 deferred stock units to its non-executive directors, and recognized expense of \$90,624 related to the issuance of these DSUs. The DSUs were granted under the 2006 Stock Incentive Plan. As of September 30, 2007, there were 164,727 DSUs outstanding.

Common Stock

During the nine months ended September 30, 2007, the Company issued 100,000 shares of fully paid and non-assessable common stock to an officer of the Company with a weighted average grant date fair value of \$0.80 per share. Stock-based compensation related to these awards of \$80,000 is included in operating expenses for the nine months ended September 30, 2007. During the nine months ended September 30, 2006, the Company issued 606,471 shares of fully paid and non-assessable shares of common stock to employees of the Company with a weighted average grant date fair value of \$.64 per share. Total stock based compensation of \$839,499 was included in operating expenses for the nine months ended September 30, 2006.

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

3. STOCKHOLDERS EQUITY

Special Warrants

The Company completed an unregistered private placement offering of 30,666,700 special warrants on June 5, 2007. The special warrants were offered and sold at a price of \$0.75 per special warrant, for aggregate gross proceeds of \$23,000,025. Each special warrant is convertible into one fully-paid and non-assessable share of common stock and one-half of one common share purchase warrant for no additional consideration. The special warrants are governed by the terms of a special warrant indenture dated June 5, 2007 among the Company, Computershare Trust Company of Canada, as the special warrant trustee, and Blackmont Capital Inc. The holder of a special warrant will not be deemed a holder of the underlying common stock or warrants until the special warrant is converted.

Under the terms of the special warrant indenture, the Company is required to:

- (a) file and obtain a receipt for a Canadian non-offering prospectus to qualify the issuance in Canada of (i) the shares of common stock and the warrants issuable upon conversion of the special warrants, and (ii) the shares of common stock issuable upon exercise of the warrants, and
- (b) file a registration statement under the *Securities Act of 1933*, as amended, in order to register the resale of (i) the shares issuable upon conversion of the special warrants, and (ii) the shares issuable upon exercise of the warrants.

If the Company fails to obtain a receipt for a final Canadian prospectus and effectiveness of the U.S. registration statement by December 3, 2007, being the 180th day following the closing date of the special warrant offering, the Company will be liable for a liquidity incentive payment to the investors equal to 1% per month (pro-rated), subject to a maximum liquidity incentive payment equal to an aggregate of 12% of the gross proceeds of the offering. The Company anticipates obtaining a receipt for the final Canadian prospectus and effectiveness of the U.S. registration statement by December 14, 2007 (the Anticipated Qualification Date), and has recognized \$81,613 in expense related to the liquidity incentive. Since obtaining a receipt for the final Canadian prospectus and effectiveness of the U.S. registration statement is within the discretion of the responsible securities regulators, there is no assurance that Anticipated Qualification Date will not be delayed.

The special warrants will expire on the earlier of:

- (a) the third business day following the date on which the Company obtains a receipt for the final Canadian prospectus;
- (b) the date that is four months and one day following the date on which the Company becomes a reporting issuer under the securities legislation of any province or territory of Canada; and
- (c) June 5, 2009, being the date which is two years following the date of the special warrant indenture.

The holder of a special warrant that has not expired in accordance with its terms may elect to convert its special warrant into the underlying shares of common stock and warrants at any time after December 3, 2007. Each special warrant that has not been converted by the holder will be converted by the special warrant trustee immediately prior to the time of its expiry without the need for any action on the part of the holder.

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

A total of 15,333,350 warrants are issuable upon conversion of the special warrants. Each warrant, when issued, will entitle the holder to purchase one share of common stock until June 5, 2012 at a price of \$1.10 per share. The warrants are governed by the terms of a warrant indenture dated June 5, 2007 between the Company and Computershare Trust Company of Canada, as the warrant agent.

In connection with the special warrants offering the Company entered into an agency agreement whereby the Company paid a cash commission of 6% of the gross proceeds realized from the sale of the special warrants to the agents and issued 1,840,002 stock options to the agents entitling them to acquire one share of common stock of the Company at anytime within the subsequent 24 month period at an exercise price of \$0.75. For financial reporting purposes, these stock options were valued at \$513,436.

Increase in Authorized Share Capital

On May 8, 2007, the Company amended its Certificate of Incorporation to increase its authorized capital from 50,000,000 to 100,000,000 shares of common stock with a par value of \$0.01 per share.

4. PROJECT FINANCING

The Company entered into a Credit Agreement dated June 28, 2007 (the Credit Agreement) with Nedbank Limited (Nedbank), as administrative agent and lead arranger.

The Credit Agreement provides for a \$25 million secured term loan credit facility that will be used by the Company to assist in financing the construction, start-up and operation of the Johnson Camp Mine. The Credit Agreement contemplates a series of term loans to be funded from time to time by a syndicate of lenders in response to draw-down requests by the Company, with the aggregate amount of all term loans being \$25 million. The term loans will be available until the earlier of: (i) the date of termination of the lender commitments; (ii) the first principal repayment date; and (iii) June 30, 2008. The loans bear interest, payable in arrears, at an annual rate equal to the London Interbank Offered Rate (LIBOR) for the interest period in effect plus a margin of 3.0% (3.5% during the initial reactivation period). In the event that the Company defaults under the Credit Agreement, an additional 3.0% interest will be payable in addition to such annual rate and all interest will be payable on demand. Additionally, the Company paid a \$500,000 loan fee on the lenders \$25 million term loan commitment, of which \$50,000 was credited from a previously expired commitment.

The Credit Agreement is collateralized by substantially all of the Company s assets, restricts the Company from incurring certain additional debt, limits the Company s ability to pay dividends and will be repaid beginning one year after the first draw down and ending four years after the date of the first draw down, subject to certain prepayment obligations set forth in the Credit Agreement.

Additionally, pursuant to the Credit Agreement, the Company was required to put in place a copper price protection program for a portion of its copper output from the Johnson Camp Mine.

The Company has not yet drawn down any principal under the Credit Agreement, but anticipates that it will draw down funds in the fourth quarter of 2007.

5. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding adjusted for the dilutive effect, if any,

F-10

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

of stock options, warrants and other dilutive securities outstanding. Outstanding options, warrants and other dilutive securities to purchase 57,368,285 and 9,484,825 shares of common stock for the nine months ended September 30, 2007 and 2006, respectively, are not included in the computation of diluted loss per share as the effect of the assumed exercise of these options and warrants would be anti-dilutive.

6. PLATINUM DIVERSIFIED SETTLEMENT

On September 24, 2007, the Company received the final payment of approximately \$2.2 million pursuant to its Settlement Agreement dated March 7, 2007, with Platinum Diversified Mining, Inc. (PDM) and PDM's direct and indirect subsidiaries, Platinum Diversified Mining USA, Inc. (PDM USA) and PDM Merger Corp. (together with PDM and PDM USA, the PDM Parties). The Settlement Agreement provided for the settlement of the dispute and disagreements between the Company and the PDM Parties arising in connection with agreement and plan of merger dated October 23, 2006 which had contemplated the acquisition of the Company by PDM in an all-cash merger transaction.

The Company received an initial payment of \$1.1 million under the Settlement Agreement in March 2007, and has been receiving monthly payments of \$50,000 from the PDM Parties. The final payment was contingent upon the completion of an acquisition by PDM meeting certain prescribed criteria. The Company has now received a total of \$3.6 million from the PDM Parties in full and final settlement of all claims and disputes between the parties.

7. COPPER PRICE PROTECTION PROGRAM

In connection with the Credit Agreement with Nedbank dated June 28, 2007, the Company has agreed to implement a price protection program with respect to a specified percentage of copper output from the Johnson Camp Mine. The price protection program consists of a synthetic put structure whereby the Company entered into a combination of forward sale and call option contracts for copper quantities, based on a portion of the estimated production from the Johnson Camp Mine during the term of the loan. The program covers approximately 27% of the estimated copper production from the Johnson Camp Mine during the term of the loan. The Company implemented the price protection program by entering into forward sales contracts for 4,560, 3,600, and 2,400 metric tons of London Metal Exchange cash settlement copper for 2009, 2010, and 2011, respectively, at a net forward price of \$5,538, \$4,481 and \$4,413 per metric ton for the same periods. The program also included the purchase of long call options for the same quantities with average strike prices of \$8,781, \$8,523, and \$8,723 per metric ton for the same periods, respectively, thereby permitting the Company to participate in price increases in the event that copper prices exceed the strike price of the long call options. The program requires no cash margins, collateral or other security from the Company.

Under FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, these contracts must be carried on the balance sheet at their fair value. As these contracts were designated as cash flow hedges, changes to the fair value of these contracts are reflected in *Other Comprehensive Income*. As of September 30, 2007, the carrying value of the derivative liability was approximately \$9,454,750 and the reduction in fair value was recorded as an other comprehensive loss in the Company's consolidated balance sheet.

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

8. RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

In June 2006, the FASB issued EITF Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement . EITF Issue No. 06-3 applies to any taxes assessed by a governmental authority that is both imposed on and concurrent with a specific revenue-producing transaction between a seller and customer, and may include but is not limited to sales, use, value added and some excise taxes. EITF Issue No. 06-3 requires an entity to disclose if taxes are presented in the income statement on a gross or net basis. Additionally, an entity that reports any such taxes on a gross basis should also disclose the amounts of those taxes in interim and annual financial statements for each period an income statement is presented if those amounts are significant. EITF Issue No. 06-3 applies with respect to any interim and annual reports filed after December 15, 2006. The Company adopted EITF Issue No. 06-3 in January 2007. The Company uses the net basis for accounting for taxes imposed in connection with a specific-revenue producing transaction.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company plans to adopt this standard beginning January 2008, and does not anticipate it will have a material impact on the Company s consolidated financial statements.

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

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plan - an amendment of FASB Statements No. 87, 88, 106, and 132(R)*. SFAS No. 158 requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 is effective for an issuer of publicly traded securities for financial statements issued for fiscal years ending after December 15, 2006. The Company adopted this standard beginning January 1, 2006; it has had no material impact on the Company's consolidated financial statements.

In September 2006, the SEC issued SAB 108 which was issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet effective for any fiscal year beginning after November 15, 2005. The Company adopted this bulletin beginning January 1, 2006; it has had no material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB No. 115*. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company plans to adopt this standard beginning January 2008; at this time, it is uncertain if doing so will have a material impact on the Company's consolidated financial statements.

9. SUBSEQUENT EVENTS

Stockholder Approval of Proposed Increase in Authorized Capital

The stockholders adopted a resolution at the annual meeting of stockholders of the Company, held on October 24, 2007, approving an amendment to the Company's Amended Certificate of Incorporation to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000. The Company has not yet taken any steps to give effect to such increase in the number of authorized shares of common stock. The Company's board of directors has discretion to elect not to proceed with this change.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Nord Resources Corporation

We have audited the accompanying consolidated balance sheet of Nord Resources Corporation and Subsidiary as of December 31, 2006 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years ended December 31, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nord Resources Corporation and Subsidiary as of December 31, 2006 and the results of their operations and their cash flows for the years ended December 31 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As shown in the consolidated financial statements, the Company incurred a net loss of \$6,283,878 and \$3,084,166 during the years ended December 31, 2006 and 2005, respectively. As discussed in Note 1 to the consolidated financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/Mayer Hoffman McCann P.C.

Denver, Colorado
March 28, 2007

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2006

2006

ASSETS

Current Assets:

Cash and cash equivalents	\$ 1,007,835
Accounts receivable	4,927
Prepaid expenses and other	30,943
Total Current Assets	1,043,705
Property and Equipment, at cost:	
Property and equipment	3,949,850
Less accumulated depreciation and amortization	(1,336,842)
Net Property and Equipment	2,613,008
Total Assets	\$ 3,656,713

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

F-15

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2006
(Continued)

LIABILITIES AND STOCKHOLDERS DEFICIT	2006
Current Liabilities:	
Accounts payable	\$ 1,211,390
Accrued expenses	3,076,855
Current maturities of long-term debt	5,717,614
Current maturity of capital lease obligation	18,750
Total Current Liabilities	10,024,609
Long-Term Liabilities:	
Capital lease obligation, less current maturity	9,375
Accrued reclamation costs	182,122
Total Long-Term Liabilities	191,497
Total Liabilities	10,216,106
Commitments and contingencies	
Stockholders Deficit:	
Common stock: \$.01 par value, 50,000,000 shares authorized, 34,018,043 shares issued and outstanding	340,181
Additional paid-in-capital	85,563,087
Accumulated deficit	(92,462,661)
Total Stockholders Deficit	(6,559,393)
Total Liabilities and Stockholders Deficit	\$ 3,656,713

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
Net sales	\$	\$
Operating expenses (Includes stock based compensation of \$1,037,739 and \$797,550, respectively)	7,135,628	3,091,237
Depreciation, depletion and amortization	83,347	83,347
Loss from operations	(7,218,975)	(3,174,584)
Other income (expense):		
Interest expense	(1,635,360)	(1,659,976)
Gain on investments, net	2,020,739	1,540,106
Miscellaneous income	549,718	210,288
Total other income (expense)	935,097	90,418
Loss before income taxes	(6,283,878)	(3,084,166)
Provision for income taxes		
Net loss	\$ (6,283,878)	\$ (3,084,166)
Net Loss Per Basic and Diluted Share of Common Stock:		
Weighted Average Number of Common Shares Outstanding	33,643,738	28,087,513
Net loss per share of common stock	\$ (0.19)	\$ (0.11)

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Com- prehensive Income	Total Stockholders' Deficit
	Shares	Amount				
Balance at December 31, 2004	28,250,522	\$ 282,505	\$ 81,513,886	\$ (83,094,617)	\$ 968,386	\$ (329,840)
Comprehensive loss:						
Net loss				(3,084,166)		(3,084,166)
Reclassification adjustment for gain included in net income					(968,386)	(968,386)
Comprehensive loss						(4,052,552)
Common stock issued for Coyote Springs Beneficial conversion feature from issuance of convertible debt	86,538	865	21,635			22,500
issuance of convertible debt			25,000			25,000
Rescission of stock options exercised	(1,750,000)	(17,500)	(17,500)			(35,000)
Compensation from issuance of stock options			590,879			590,879
Common stock issued in private placement	819,644	8,196	278,679			286,875
Common stock and warrants issued on revolving line of credit	2,260,000	22,600	1,176,878			1,199,478
Common stock and warrants issued to						

settle					
outstanding claims					
and accounts					
payable	262,000	2,620	169,612		172,232
Warrants issued			171,200		171,200
on bridge loan					
Common stock	497,271	4,974	201,697		206,671
issued for services					
Balance at	30,425,975	304,260	84,131,966	(86,178,783)	(1,742,557)
December 31,					
2005					
Comprehensive					
loss:					
Net loss				(6,283,878)	(6,283,878)
Comprehensive					(6,283,878)
loss					
Common stock					
and stock options					
issued					
for Coyote	83,844	838	48,512		49,350
Springs					
Common stock					
issued to settle					
outstanding					
claims	46,753	468	36,456		36,924
Exercise of stock	2,715,000	27,150	27,150		54,300
options					
Compensation					
from issuance of					
stock					
options			600,879		600,879
Common stock	80,000	800	27,200		28,000
issued in private					
placement					
Warrants issued			260,729		260,729
on bridge loan					
Compensation					
from issuance of					
deferred					
stock units			126,874		126,874
Common stock	666,471	6,665	303,321		309,986
issued for services					
Balance at	34,018,043	\$ 340,181	\$ 85,563,087	\$ (92,462,661)	\$ (6,559,393)
December 31,					
2006					

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
Cash Flows From Operating Activities:		
Net loss	\$ (6,283,878)	\$ (3,084,166)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation, depletion and amortization	83,347	83,347
Accretion expense on reclamation costs	16,642	14,793
Amortization of debt issuance costs	532,791	758,528
Write-off of deferred offering costs	397,803	
Write-off of deposit on abandoned financing	50,000	
Accretion of discount on debt	545,771	448,637
Stock option mark to market adjustment	26,250	455,000
Realized loss on copper put options	142,738	188,872
Issuance of common stock to settle outstanding claims		159,367
Increase in fair value of trading securities		(1,406,617)
Issuance of common stock for services rendered	436,860	206,671
Issuance of stock options for services rendered	574,629	135,879
Gain on sale of securities held for trading	(261,712)	(22,358)
Proceeds from sale of securities held for trading	1,729,391	
Beneficial conversion feature recorded as interest expense	1,722	100,878
Changes in assets and liabilities:		
Accounts receivable	(4,928)	
Other assets	8,271	1,660
Accounts payable	280,666	(24,951)
Accrued expenses	1,972,852	384,225
Net Cash Provided (Used) By Operating Activities	249,215	(1,600,235)
Cash Flows From Investing Activities:		
Decrease (increase) in restricted cash	126,063	(126,063)
Purchase of copper put options	(56,252)	(275,358)
Capital expenditures	(109,068)	
Net Cash (Used) By Investing Activities	(39,257)	(401,421)
Cash Flows From Financing Activities:		
Debt issuance costs	(161,065)	(292,111)
Principal payments on notes payable		(5,611,991)
Deferred financing costs	(245,805)	(201,998)
Proceeds from issuance of notes payable	1,000,000	7,315,000
Principal payments on capital lease	(18,750)	(18,750)
Proceeds from issuance of common stock	82,300	286,875
Net Cash Provided By Financing Activities	656,680	1,477,025
Net Increase (Decrease) in Cash and Cash Equivalents	866,638	(524,631)

Cash and Cash Equivalents at Beginning of Year	141,197	665,828
Cash and Cash Equivalents at End of Year	\$ 1,007,835	\$ 141,197
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 487,715	\$ 331,853
Income taxes		

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Nord Resources Corporation (the Company) is a United States based corporation involved in all phases of the mining business including exploration, permitting, developing and operating mining projects. The Company's primary asset is the Johnson Camp Copper Mine (Johnson Camp Mine) located in Arizona. This facility was placed on care and maintenance status in 2003. The Company is currently seeking to obtain financing for the restart of the Johnson Camp Mine.

In addition to the Johnson Camp Mine, the Company has an interest in two exploration projects, Coyote Springs located in Arizona and Mimbres located in New Mexico.

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

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

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

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis, to obtain additional financing to resume mining operations at Johnson Camp Mine, and to produce copper to sell at a level where the Company becomes profitable. The Company's continued existence is dependent upon its ability to achieve its operating plan.

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

The Company has obtained a feasibility study containing a mine plan for the Johnson Camp Mine dated March 2000, as well as an update to the feasibility study dated October 11, 2005 which has been supplemented by an addendum prepared in June 2006. The updated feasibility study contains an economic assessment of the Johnson Camp Mine based on the mine plan included in the 2000 feasibility study, capital and operating cost estimates as of the third quarter of 2005, and 36 month average copper prices ending on September 30, 2005. At the time the updated feasibility study was completed, the initial capital costs to be incurred within the first two years of start up were expected to exceed \$22 million (including working capital). The Company now expects that the initial capital costs will exceed \$28 million. Such costs relate primarily to the rehabilitation of solution ponds, refurbishment and a modest expansion of the copper production facility, and the purchase and installation of crushing and conveying equipment. The increase in the Company's capital cost estimate is primarily due to inflation and the fact that the original capital cost estimate was premised in part on the availability of used conveying equipment which is increasingly becoming difficult to find; the Company anticipates that it will have to purchase new conveying equipment during the initial start-up period. The Company estimates that it will incur a further \$3 million in capital costs in the following two years, which is less than the \$9 million in such capital costs that the Company had originally projected due to its intention to defer the construction of a planned leach pad until seven years after the start-up date, as the Company now anticipates that it will be able to accommodate any ore that is mined during the intervening period by expanding one or more of the existing leach pads. These figures do not include estimated reclamation bonding requirements, and do not account for inflation, interest and other financing costs.

The Company presently does not have sufficient cash or working capital necessary to implement the mine development schedule and commence mining operations. Its ability to commence mining operations will be subject to its obtaining sufficient financing to enable it to fund the necessary initial capital costs and start-up operating expenses and working capital. However, the Company believes that the resumption of mining activities at the Johnson Camp mine is warranted based on the relatively high market price of copper. The Company believes that the strengthening market for copper has created an opportunity for it to reactivate the Johnson Camp Mine, despite the anticipated high costs that this will involve.

Funding for the reactivation of the Johnson Camp Mine is expected to come from a combination of equity and debt financing, and the potential exercise of outstanding common stock purchase warrants and options.

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Cochise Aggregates and Materials, Inc. (Cochise). Cochise was set up to produce

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

and market landscape rock products and aggregates derived from the Johnson Camp Mine overburden piles. All intercompany accounts and transactions have been eliminated in consolidation.

Investment in Allied Gold/Nord Pacific

At December 31, 2003 the Company owned a 17.74% interest in Nord Pacific Limited (Nord Pacific), a publicly owned mining and exploration company engaged in the production of copper in Australia and the exploration for gold, copper and other minerals in Australia, Papua New Guinea and North America. In December 2003, Nord Pacific entered into an agreement with Allied Gold, a publicly owned mining and exploration company located in Australia, under which Allied Gold acquired all of the outstanding shares of Nord Pacific. This agreement was finalized in 2004 and the Company received one share of Allied Gold for each share of Nord Pacific owned, or 3,697,561 shares of Allied Gold. In addition, the agreement called for the conversion of a subordinated debt in the amount of \$233,464, owed to the Company by Nord Pacific, into 1,400,000 common shares of Allied Gold. As of December 31, 2005 the Company owned 4,997,561 shares of Allied Gold all of which were sold during 2006.

During the years ended December 31, 2006 and 2005, the Company accounted for its investment in Allied Gold and Nord Pacific in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The more significant areas requiring the use of management estimates and assumptions relate to mineral reserves of the Johnson Camp Mine that are the basis for future cash flow estimates; reclamation obligations; asset impairment (including long-lived assets and investments); valuation allowances for deferred tax assets; disclosures and reserves for contingencies and litigation; and the fair value and accounting treatment of financial instruments. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

Cash and Cash Equivalents

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

Restricted Cash

As required by the Bridge Loan Facility with Nedbank Limited (Nedbank), the Company deposited \$400,000 with Auramet Trading, LLC to purchase copper put options. Cash of \$0 and \$126,063 was held on deposit for this purpose at December 31, 2006 and 2005, respectively.

Accounts Receivable

The Company grants credit to all qualified customers and generally requires no collateral. Accounts receivable are carried at cost less an allowance for losses, if an allowance is deemed necessary. The Company does not accrue

finance or interest charges. On a periodic basis, the Company evaluates its

F-22

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

accounts receivable and determines the requirement for an allowance for losses, based upon history of past write-offs, collections and current credit conditions. A receivable is written off when it is determined that all reasonable collection efforts have been exhausted and the potential for recovery is considered remote. Management determined that no allowance for losses was required as of December 31, 2006 and 2005.

Revenue Recognition

The Company recognizes revenue from the sale of products, and related costs of products sold, where persuasive evidence of an arrangement exists, delivery has occurred, the seller's price is fixed or determinable and collectibility is reasonably assured. This generally occurs when the customer receives the product or at the time title passes to the customer. Sales incentives and returns are estimated and recognized at the date of shipment based upon historical activity and current agreements with customers. The Company evaluates these estimates on a regular basis and revises them as necessary.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out pricing method.

Marketable Securities

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

Financial Instruments

As of December 31, 2005, the Company held financial instruments consisting of put options on copper future contracts that are not designated as hedging instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* and were required pursuant to the terms of the Company's promissory note with Nedbank. The put options are stated at market value as determined by the most recently traded price of the financial instruments at the balance sheet date and the change in market value is recognized in earnings. The Company's put options expired during 2006 and therefore the Company held no financial instruments as of December 31, 2006.

Deferred Offering Costs

Transaction costs incurred prior to the closing of an equity offering are capitalized until the sooner of the completion of the equity offering or a determination is made not to proceed with the offering at which time the costs are charged to additional paid-in capital at the time of completion of the offering or charged against income at the time the determination is made not to proceed with the equity offering. The Company expensed \$397,803 of deferred offering costs during the year ended December 31, 2006, in

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

light of the Company's decision not to proceed with the contemplated equity offering as a result of the Company's entering into a merger agreement. The merger agreement was subsequently terminated.

Debt Issuance Costs

Debt issuance costs are amortized over the life of the related loan as interest expense. During 2006 and 2005, the Company incurred debt issuance costs of \$161,065 and \$929,111 respectively, related to the issuance of promissory notes. These costs are being amortized over the term of the loans using the straight-line method, which approximates the effective interest method. Accumulated amortization of debt issuance costs was \$1,238,945 and \$706,157 at December 31, 2006 and 2005, respectively. Debt issuance costs were fully amortized at December 31, 2006.

Property and Equipment

Property and equipment are stated at cost. Mineral exploration costs are expensed as incurred. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets which range from three to five years. Mineral properties are amortized over the life of the mine using the units of production method. Buildings and mining equipment are depreciated over the shorter of their estimated useful lives, or over the life of the mine using the units of production method.

Long-Lived Assets

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

Reclamation Costs

Reclamation costs are allocated to expense over the life of the related assets and are adjusted for changes resulting from the passage of time and revisions to either the timing or amount of the original present value estimate.

The Company estimated its asset retirement obligations using an expected cash flow approach, in which multiple cash flow scenarios were used to reflect a range of possible outcomes. The Company estimated the aggregate undiscounted obligation to be approximately \$400,000 for the Johnson Camp Mine. To calculate the fair value of this obligation, the projected cash flows were discounted at the Company's estimated credit-adjusted, risk free interest rate of 10%. At December 31, 2006 the recorded value of accrued reclamation costs was \$182,122. The Company will recognize an increase to the asset retirement obligation concurrent with the impact from mining activity, if and when such additional mining activity occurs.

A reconciliation of the beginning and ending carrying amounts of the Company's retirement obligation as of December 31, 2006 and 2005 is as follows:

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	2006	2005
Liability, beginning of year	\$ 165,480	\$ 150,687
Accretion expense	16,642	14,793
Liability, end of year	\$ 182,122	\$ 165,480

Stock-Based Compensation

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

Compensation expense of \$455,000 was recognized for the year ended December 31, 2005 relative to the granting of stock options to the Company's employees. If the Company had elected to recognize compensation expense based upon the fair value at the grant date for awards under its stock-based compensation plans consistent with the methodology prescribed by the original provisions of SFAS No. 123 the Company's net loss and loss per share would be reduced to the following pro-forma amount:

	2005
Net loss, as reported	\$ (3,084,166)
Stock based employee compensation expense included in net loss, net of tax	455,000
Less stock based compensation expense determined under fair value based methods for all awards, net of tax	(659,661)
Pro forma net loss	\$ (3,288,827)
Net loss per basic and diluted share of common stock:	
As reported	\$ (.11)
Pro forma	\$ (.12)

The fair value for these options were estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions for the year ended December 31:

	2005
Risk-free interest rate	3.7% to 4.3%
Expected life	3 to 5 years
Expected volatility	176% to 185%
Expected dividend yield	0%

All stock options granted prior to January 1, 2006 were completely vested as of that date and had therefore been expensed in accordance with APB No. 25, or the original provisions of SFAS No. 123, as appropriate. During 2006, the Company granted 1,975,000 and cancelled 1,175,000 stock options to employees and directors for which \$574,269 in compensation expense was recognized.

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accumulated Other Comprehensive Income

The Company has adopted SFAS No. 130, Reporting Comprehensive Income. This statement requires that all components of comprehensive income be reported in the financial statements in the period in which they are recognized. The components of comprehensive income for the Company include net loss, unrealized gains and losses on marketable securities and foreign currency translation adjustments.

The unrealized gain on marketable securities relates to the Company's investment in Allied Gold. Under SFAS No. 115, securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities, and unrealized gains and losses are included in earnings. During 2005 the Company changed its intention with regard to its investment in Allied Gold and reclassified this investment from available for sale securities to trading securities.

Components of other comprehensive income consist of the following:

	Unrealized Gain on Marketable Securities	Accumulated Other Compre- hensive Income
Balance at December 31, 2004	\$ 968,386	\$ 968,386
2005 change	(968,386)	(968,386)
Balance at December 31, 2005		
2005 change		
Balance at December 31, 2006	\$	\$

Shipping and Handling Costs

The Company includes shipping and handling costs in operating expenses.

Net Loss Per Share of Common Stock

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding adjusted for the dilutive effect, if any, of stock options, warrants and other dilutive securities. Outstanding options, warrants and other dilutive securities to purchase 9,501,633, and 10,240,393 shares of common stock for the years ended December 31, 2006 and 2005, respectively, are not included in the computation of diluted loss per share as the effect of the assumed exercise of these options, warrants and other securities would be antidilutive.

Income Taxes

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

payable or refundable for the current period and the change during the period in net deferred tax assets and liabilities.

F-26

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Recently Issued Accounting Guidance

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

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

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

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* . SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company plans to adopt this standard beginning January 2008, and does not anticipate it to have a material impact on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plan-an amendment of FASB Statements No. 87, 88 106, and 132(R)* . SFAS No. 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 is effective for an issuer of publicly traded securities for financial statements issued for

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

fiscal years ending after December 15, 2006. The Company adopted this standard beginning January 2006; it has had no material impact on the Company's consolidated financial statements.

In September 2006, the SEC issued SAB 108 which was issued to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet effective for any fiscal year beginning after November 15, 2005. The Company adopted this bulletin beginning January 2006, and did not have a material impact on the Company's consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB No. 115". SFAS No. 159 permits entities to choose to measure many financial instruments and certain other assets at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company plans to adopt this standard beginning January 2008, at this time, it is uncertain if doing so will have a material impact on the Company's consolidated financial statements.

2. MARKETABLE SECURITIES AND FINANCIAL INSTRUMENTS

During 2006 and 2005, the Company classified its investment in Allied Gold as a trading security with the corresponding changes in fair market value being recognized in income. As of December 31, 2005 the Company owned 4,997,561 shares of common stock of Allied Gold which were classified as marketable securities. The Company sold these securities during 2006 and therefore held no marketable securities pursuant to SFAS No. 115 as of December 31, 2006.

During the years ended December 31, 2006 and 2005, the Company sold marketable securities held for trading and recognized a gain of \$261,712 and \$22,358, respectively, which is included in gain on investments in the accompanying consolidated statements of operations.

As of December 31, 2005, the Company held financial instruments consisting of put options on copper future contracts that were not designated as hedging instruments under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and were required pursuant to the terms of the Company's promissory note with Nedbank. The Company's put options expired during 2006 and therefore the Company had no financial instruments outstanding as of December 31, 2006.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2006
Land	\$ 328,896
Buildings	788,970
Mining and other equipment	2,831,984
Total	\$ 3,949,850

Depreciation and amortization of property and equipment charged to operations was \$83,347 for each of the years ended December 31, 2006 and 2005.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

4. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

2006	
Accrued consulting fees to related party	\$ 295,000
Accrued payroll expense	1,978,663
Other accrued liabilities	803,192
Total	\$ 3,076,855

5. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

2006	
Equipment loan	\$ 45,801
Bridge Loan - Nedbank	4,900,000
Line of credit - related parties	564,813
Convertible notes - related parties	207,000
	5,717,614
Less current maturities	(5,717,614)
Total	\$

Equipment Loan

In October 2002, the Company signed a promissory note in the amount of \$95,000 related to its purchase of equipment. The note bears interest at an annual rate of 12% with monthly payments of \$4,472 and is collateralized by the equipment. This note was originally scheduled to mature in November 2004. In August 2005, the holder of the Company's equipment note sold the loan to an unrelated party. Subsequent to this sale, the terms of the original promissory note were amended to allow for deferment of all past due payments along with any scheduled payments until June 2007.

Bridge Loan Facilities

In October 2005, the Company obtained a loan in the amount of \$2,850,000 from Auramet Trading, LLC, of which \$1,850,000 was funded by Ronald Hirsch pursuant to an Agreement for Credit Risk Participation dated October 2005, between Auramet Trading, LLC and Ronald Hirsch. The agreement gave Mr. Hirsch the right to own a 65% interest in the loan and in all documents, instruments and collateral issued by Auramet Trading, LLC, as well as all payments, recoveries or distributions in connection with the loan. A secured promissory note was issued to Auramet Trading, LLC that provided for interest only payments at a rate of 9% per annum payable monthly and the note was to mature on the earlier of April 2006 or the closing of an equity offering in which the Company raised not less than \$25,000,000.

As the arranger of the bridge financing, Auramet Trading, LLC received from the Company a mandate fee of \$15,000 and 250,000 warrants for the purchase of an equal number of shares of the Company's common stock. The warrants were to be exercisable on or before October 17, 2007 at an exercise price equal to the final price at which the

Company's stock was sold in a public offering, provided that if the

F-30

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Company did not complete such an offering on or before April 17, 2006, then the exercise price would be the average closing price of the Company's common stock for the 20 trading days prior to April 17, 2006. Since the Company did not complete a public offering by April 17, 2006, it issued to Auramet Trading, LLC an amended and restated warrant certificate to fix the exercise price at \$.56 per share.

In addition, Auramet Trading, LLC was entitled to receive such number of common stock warrants as was to be calculated by dividing the Canadian dollar equivalent of \$1,000,000 (on October 17, 2005) by the final price at which a share of the Company's common stock was sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before October 17, 2007, provided that the Company completed a public offering on or before April 17, 2006. In the event that the Company did not complete such an offering by April 17, 2006, the warrants were to expire on April 17, 2006, and the Company was required to issue new warrants to Auramet Trading, LLC for the purchase of 256,410 shares of common stock at an exercise price equal to the average closing price of the Company's common stock for the 20 trading days prior to April 17, 2006. Since the Company did not complete a public offering by April 17, 2006, it issued the 256,410 replacement warrants to Auramet Trading, LLC. The replacement warrants are exercisable at a price of \$.56 per share and shall expire on April 17, 2008.

In November 2005, the Company obtained a loan in the amount of \$3,900,000 from Nedbank Limited, in which Auramet Trading, LLC participated through the contribution of the \$1,000,000 outstanding amount payable by the Company under the October 2005 loan. From the proceeds of this loan, \$1,860,175 was used to repay the principal and interest portion of the Auramet Trading, LLC loan that was contributed by Mr. Hirsch. A secured promissory note was issued to Nedbank Limited that provides for interest only payments at a rate of 9% per annum payable monthly and the note maturing on the earlier of May 2006 or the closing of an equity offering in which the Company raises not less than \$25,000,000.

In connection with this loan the Company issued to Nedbank Limited warrants to purchase that number of shares of common stock as was to be calculated by dividing the Canadian dollar equivalent of \$2,900,000 (on November 8, 2005) by the final price at which a share of the Company's common stock was sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before November 8, 2007, provided that the Company completed a public offering on or before May 8, 2006. Since the Company did not complete such an offering by May 8, 2006, the warrants expired in accordance with their terms on May 8, 2006, and the Company issued new warrants to Nedbank Limited for the purchase of 743,590 shares of common stock at an exercise price of \$.88 per share, being the amount equal to the average closing price of the Company's common stock as quoted on the Pink Sheets LLC for the 20 trading days prior to May 8, 2006. The replacement warrants shall expire on May 8, 2008.

Pursuant to the terms of the Note, the Company is restricted from paying dividends or making distributions on shares of its common stock. The note is collateralized by the Johnson Camp Mine and all related property and equipment.

During May 2006 the Company negotiated an extension of the maturity on the \$3,900,000 bridge loan from Nedbank Limited to the earlier of August 15, 2006 or the closing of an equity offering in which the Company raises not less than \$20,000,000. In connection with this extension the Company agreed to increase the interest rate on the loan from 9% to 10% per annum, pay the lender a closing fee of \$39,000, and issue 75,000 common stock purchase warrants to Nedbank and 25,000 common stock purchase warrants to Auramet Trading, LLC. The warrants are exercisable on or before May 15, 2008 at an exercise price of \$1.00. At the same time, Auramet Trading, LLC, acting through Nedbank Limited, advanced an additional \$1,000,000 loan to the Company which was added to the outstanding principal under the secured bridge loan from Nedbank Limited. In consideration of the additional loan advance, the Company paid to Auramet Trading, LLC \$40,000 and issued to Auramet Trading, LLC warrants for the purchase of 250,000 shares of the Company's common stock, exercisable for a period of two years at an exercise price \$1.15 per share.

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During August 2006 the Company negotiated an extension of the maturity date on the \$4,900,000 secured bridge loan from Nedbank to the earlier of September 30, 2006 or the closing of an equity offering in which the Company raises not less than \$20,000,000. During September 2006 the Company negotiated a further extension of the maturity date to the earlier of December 22, 2006 or the closing of an equity offering in which the Company raises not less than \$20,000,000. In connection with this extension the Company agreed to an increase in the interest rate on the loan from 10% to 11% per annum. In consideration for this extension the Company paid Nedbank a fee of \$49,000 and issued 88,770 common stock purchase warrants to Nedbank and 61,230 common stock purchase warrants to Auramet Trading, LLC. Each warrant will entitle the holder to purchase one share of the Company's common stock on or before September 30, 2008, at an exercise price of \$.83.

The Company negotiated further extensions of the maturity date to the earlier of April 30, 2007 or the closing of an equity offering in which the Company raises not less than \$20,000,000. In connection with the extension to April 30, 2007 the Company received an additional \$100,000, thereby increasing the outstanding principal amount of the bridge loan facility to \$5,000,000. In consideration for the extension and increased loan amount the Company paid Nedbank a fee of \$75,000 and issued 174,000 common stock purchase warrants to Nedbank and 126,000 common stock purchase warrants to Auramet Trading, LLC. Each warrant will entitle the holder to purchase one share of the Company's common stock on or before May 15, 2008, at an exercise price of \$.66.

The Company uses the Black-Scholes option pricing model to estimate the fair market value of warrants issued in connection with the bridge loan facility. The value of the warrants is recorded as a reduction of debt and increase in additional paid in capital. The debt discount is amortized to interest expense over the life of the loan. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of issuance. In 2006, the expected volatility is based on the weighted historical volatility of the Company's common stock and that of its peer group. In 2005, the expected volatility is based on the historical volatility of the Company's common stock.

The following assumptions were used to estimate the fair value of warrants issued in connection with the bridge loan facility during 2006 and 2005:

	2006	2005
Risk-free interest rate	4.7% to 5.0%	4.3% to 4.4%
Expected term in years	2 years	2 years
Expected volatility	66%	176%
Expected dividend yield	0%	0%

The fair value of warrants issued in connection with the bridge loan facility was \$260,729 and \$171,200 for the years ended December 31, 2006 and 2005, respectively. The Company recognized \$374,862 and \$57,067 of interest expense associated with the accretion of the debt discount on the bridge loan facility in 2006 and 2005, respectively.

Revolving Line of Credit Related Parties

In June 2005, the Company entered into a \$600,000 revolving line of credit agreement with Ronald Hirsch and Stephen Seymour. The line of credit bears interest at 6.0% per annum and was to have matured on December 31, 2005, and is collateralized by accounts receivable, inventory, property and equipment, and other assets. This loan is subordinated to the Bridge Loan with Nedbank described above.

In consideration for the issuance of the line of credit, the Company agreed to issue to the lenders four shares of common stock and four warrants for every \$1 loaned to the Company. Each warrant entitles the lender to purchase one share of common stock at an exercise price of \$.25 for a period of three years.

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company uses the Black-Scholes option pricing model to estimate the fair market value of warrants granted in connection with the revolving line of credit. The value of the warrants is recorded as a discount to debt and amortized to interest expense over the life of the loan.

Commencing May 1, 2006, the interest rate was changed from 6.0% per annum to M&T Bank's prime rate (8.25% at December 31, 2006). The maturity date has been extended to the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than \$20,000,000, or (ii) a significant corporate transaction which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company's assets or assets valued at \$12,000,000 or greater.

The Company uses the Black-Scholes option pricing model to estimate the fair market value of warrants issued in connection with the revolving line of credit. The value of the warrants is recorded as a reduction of debt and increase in additional paid in capital. The debt discount is amortized to interest expense over the life of the loan. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of issuance. The expected volatility is based on the weighted historical volatility of the Company's common stock.

The following assumptions were used to estimate the fair value of warrants issued in connection with the revolving line of credit during 2005:

2005

Risk-free interest rate	3.7% to 4.3%
Expected term in years	3 years
Expected volatility	165% to 185%
Expected dividend yield	0%

The fair value of warrants issued in connection with the revolving line of credit was \$562,479 for the year ended December 31, 2005. The Company recognized \$170,909 and \$391,570 of interest expense associated with the accretion of the debt discount in 2006 and 2005, respectively.

There were no warrants issued in connection with the revolving line of credit facility during 2006.

Convertible Notes Related Parties

During 2004, the Company entered into promissory notes for \$66,000 and \$106,000 from Stephen Seymour, a member of the board of directors, and Ronald Hirsch, CEO and chairman of the board of directors, respectively. The loans accrue interest at 10% per annum, are unsecured and have been extended to mature on the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than \$25,000,000, or (ii) a significant corporate transaction which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company's assets or assets valued at \$12,000,000 or greater. These loans are repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of \$.20 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of \$.20 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of \$.20 per share as the holder may determine. These loans are subordinated to the Bridge Loan with Nedbank.

These loans contain a beneficial conversion feature in the amount of \$123,000 due to the value of the Company's common stock exceeding the debt conversion price on the date of the loans.

F-33

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

During June 2004, Ronald Hirsch exercised 1,750,000 stock options at an exercise price of \$35,000. Subsequently, during June 2005, Mr. Hirsch and the Company agreed to rescind this stock option exercise. In exchange for the \$35,000 that was paid to exercise the stock options, the Company issued Mr. Hirsch an unsecured convertible promissory note for \$35,000 and cancelled the related 1,750,000 shares of common stock. The promissory note bears interest at 10.0% per annum, is unsecured and has been extended to mature on the earlier of: (a) April 30, 2007; or (b) the closing of (i) a registered equity offering and/or a debt project financing in which the Company raises not less than \$25,000,000, or (ii) a significant corporate transaction which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company's assets or assets valued at \$12,000,000 or greater. This loan is repayable upon maturity: (a) in the case of an equity offering or a debt financing, as to 50% in cash and as to the balance in fully paid shares of common stock at a deemed price of \$.175 per share; (b) in the case of a significant corporate transaction or a sale, lease or transfer of assets, solely in fully paid shares of common stock at a deemed price of \$.175 per share; and (c) in any other case, in such mix of cash and/or fully paid shares of common stock at a deemed price of \$.175 per share as the holder may determine. This loan is subordinated to the Bridge Loan with Nedbank. The Company recorded a \$25,000 beneficial conversion feature related to this convertible loan during the year ended December 31, 2005.

The beneficial conversion features are amortized to interest expense over the period during which the notes are convertible into common stock. The Company recognized \$1,722 and \$100,878 of interest expense associated with the amortization of its beneficial conversion feature in 2006 and 2005, respectively.

6. INCOME TAXES

The components of the provision for income taxes as of December 31, 2006 and 2005 are as follows:

	2006	2005
Current:		
Federal	\$	\$
State		
Total current income tax expense		
Deferred:		
Federal		
State		
Total deferred income tax expense		
Total	\$	\$

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

	2006	2005
Federal statutory rate	35%	35%
State income taxes, net of federal benefits	4%	4%
Valuation allowance	(39)%	(39)%
Total	%	%

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Significant components of deferred income taxes as of December 31, 2006 are as follows:

	2006
Net operating loss carry forwards	\$ 33,875,000
Capital loss carry forward	4,176,000
Accrued reclamation expense	72,000
Other	56,000
Accrued consulting expense related party	117,000
Accrued officer compensation	783,000
Valuation allowance	(38,645,000)
Total deferred tax asset	434,000
Depreciation and amortization	(434,000)
Total deferred tax liability	(434,000)
Net deferred tax asset	\$

The Company records a valuation allowance for certain temporary differences for which it is more likely than not that it will not receive future tax benefits. The Company assesses its past earning history and trends, sales backlog and projections of future net income. The Company recorded a valuation allowance for the entire amount of the net deferred tax asset in 2006 and 2005 as the Company considered it to be unlikely to recognize sufficient operating income to realize the benefit of these assets over time until the Company has had a reasonable history of net income. Accordingly, the Company recorded a deferred tax valuation allowance in 2006 and prior years to offset the entire deferred tax asset arising from the tax loss carry forward and other temporary differences. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized, based upon criteria that include a recent history of demonstrated profits. The net change in the valuation allowance was an increase of \$2,080,000 and \$812,000 for the years ended December 31, 2006 and 2005, respectively. The Company will continue to review this valuation allowance and make adjustments as appropriate.

The tax benefits associated with employee exercises of non-qualified stock options and disqualifying dispositions of stock acquired with incentive stock options reduce income taxes currently payable. However, no benefits were recorded to additional paid-in-capital in 2006 or 2005 because their realization was not more likely than not to occur and consequently, a valuation allowance was recorded against the entire benefit.

At December 31, 2006, the Company had federal and state net operating loss (NOL) carry forwards of approximately \$95,000,000 and \$17,000,000, respectively. The Company also had a capital loss carry forward of approximately \$11,000,000 which can be utilized to offset capital gains for the subsequent five year period. The NOL carry forwards expire in the years 2007 through 2026, and 2007 through 2011, for federal and state purposes, respectively.

7. STOCKHOLDERS EQUITY

Common Stock

At the annual meeting of stockholders held on October 18, 2006, the Company's stockholders approved an amendment to the Company's Amended Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 100,000,000. The Company's stockholders also

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

approved a reverse stock split of the Company's issued and outstanding shares of common stock at a ratio within the range from one-for-two to one-for-six. The Company has not yet taken any steps to: (a) increase the number of authorized shares of common stock from 50,000,000 to 100,000,000; or (b) effect a reverse stock split of the Company's issued and outstanding shares of common stock. The Company's board of directors has discretion to elect not to proceed with these changes.

In 2006, certain equity-based fees have been paid to the Company's non-executive directors in the form of awards issued pursuant to the Company's 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of the Company's non-executive directors exercised such rights in respect of the equity-based fees payable to him for 2006. Accordingly, during 2006, Wade Nesmith, the Company's Lead Director and the Chairman of each of the Executive and the Corporate Governance and Nominating Committees, received 47,907 deferred stock units; Douglas Hamilton, the Chairman of the Company's Audit Committee received 40,342 deferred stock units; John Cook, the Chairman of the Company's Compensation Committee received 32,778 deferred stock units; and Stephen Seymour received 25,214 deferred stock units. During 2006, the Company recognized an expense of \$126,874 related to the issuance of deferred stock units to its independent directors. The deferred stock units were granted under the 2006 Deferred Stock Unit Plan.

In January 2005, the Company issued 86,538 shares of common stock valued at \$22,500 and in March 2006, the Company issued 83,844 shares of common stock valued at \$29,010 as payment under the Coyote Springs Option.

On February 8, 2006, the Company entered into an agreement with a former outside director of the Company who resigned as a director of the Company in 1995, to settle certain retirement benefit claims. Under the terms of the settlement, the Company issued 42,500 shares of common stock, and agreed to pay \$8,500 in cash for retirement benefits for calendar year 2006, and reaffirmed its continuing obligation to make annual payments in the amount of \$8,500.

During 2006, 2,715,000 stock options were exercised at an exercise price of \$54,300.

In September 2005, the Company commenced a private placement of equity securities up to a maximum of 1,428,571 units, whereby one unit, consisting of one share of common stock and a warrant to purchase one share of common stock, is being offered for \$0.35 per unit. During the year ended December 31, 2005, the Company sold 819,644 units for \$286,875. During January 2006, the Company sold an additional 80,000 units for gross proceeds of \$28,000 pursuant to the private placement. The stock purchase warrants have an exercise price of \$.40 and expire in three years.

During 2005, the Company issued 430,000 shares of common stock for services valued at \$127,700 to John Perry, the Senior Vice President and Chief Financial Officer. Pursuant to the Company's employment agreement with Mr. Perry, the Company was required to issue 250,000 shares of the Company's common stock on Mr. Perry's one-year anniversary with the Company which occurred in April 2006. The Company recognized \$18,750 and \$56,250 of compensation expense related to this obligation during the years ended December 31, 2006 and 2005, respectively. During 2006, pursuant to his employment agreement, the Company issued 490,000 shares of its common stock, including the 250,000 shares referenced above, to Mr. Perry, for which \$221,750 of compensation expense was recognized. In addition, pursuant to the Company's employment agreement with Mr. Perry, he will be compensated on a monthly basis based on the issuance of 20,000 shares of the Company's common stock per month. Mr. Perry will be paid in cash after the Company has raised at least \$10,000,000 in financing.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

In May 2006, the Company issued 176,471 shares of common stock valued at \$88,236 to Nick Tintor, who was then the Company's President and Chief Executive Officer, pursuant to his employment agreement.

During 2005, the Company issued 12,000 shares of common stock to settle outstanding payables of \$12,866, and, in February 2006, the Company issued 7,921 shares of common stock to settle outstanding payables of \$3,960.

Between January 2005 and May 2005, the Company issued 67,271 shares of common stock valued at \$22,721 to Rex Loesby, a former officer of the Company, for consulting services.

In April 2005, the Company entered into an agreement with Pierce Carson, a former CEO of the Company whose employment terminated in December 2000, to settle certain retirement benefit claims. Under the terms of the settlement, the Company issued 250,000 shares of common stock valued at \$85,000 and issued warrants to purchase 250,000 shares of common stock valued at \$74,367. The warrants have an exercise price of \$.50 and expire in three years.

During 2005, the Company issued 2,260,000 shares of common stock valued at \$637,000 and 2,260,000 warrants to purchase one share of common stock valued at \$562,478 pursuant to the Company's revolving line of credit with Ronald Hirsch and Stephen Seymour. The stock purchase warrants have an exercise price of \$.25 and expire in three years.

Warrants

In connection with the Company's bridge loan financing transaction with Auramet Trading, LLC completed on October 17, 2005, the Company issued stock purchase warrants to Auramet Trading, LLC. The number of warrants was to be calculated by dividing the \$1,000,000 by the final price at which a share of the Company's stock was sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before October 17, 2007, provided that the Company completed a public offering of its common stock on or before April 17, 2006. In the event that the Company did not complete such an offering by April 17, 2006, the warrants were to expire on April 17, 2006, and the Company was required to issue new warrants to Auramet Trading, LLC for the purchase of 256,410 shares of the Company's common stock at an exercise price equal to the average closing price of the Company's common stock for the 20 trading days prior to April 17, 2006. Since the Company did not complete a public offering by April 17, 2006, it issued the 256,410 replacement warrants to Auramet Trading, LLC. The new warrants are exercisable at a price of \$.56 per share and shall expire on April 17, 2008.

Additionally, pursuant to an agreement with Auramet Trading, LLC for arranging the bridge loan facility with Nedbank, 250,000 warrants were issued to Auramet Trading, LLC for the purchase of an equal number of shares of the Company's common stock. The warrants are exercisable on or before October 2007 at an exercise price of \$.56 per share.

In connection with the Company's bridge loan financing transaction with Nedbank completed on November 8, 2005, the Company issued stock purchase warrants to Nedbank. The number of warrants was to be calculated by dividing \$2,900,000 by the final price at which a share of the Company's stock is sold in a public offering and multiplying the result by 0.15. The warrants were exercisable on or before November 8, 2007, provided that the Company completed a public offering of its common stock on or before May 8, 2006. Since the Company did not complete such an offering by May 8, 2006, the warrants expired in accordance with their terms on May 8, 2006, and the Company issued new warrants to Nedbank for the purchase of 743,590 shares of its common stock at an exercise price of \$.88 per share, being the amount equal to the average closing price of the Company's common stock as quoted on the

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Pink Sheets LLC for the 20 trading days prior to May 8, 2006. The new warrants shall expire on May 8, 2008.

Upon execution and delivery of the Company's Modification Agreement with Nedbank dated May 15, 2006 in relation to the bridge loan from Nedbank, the Company issued a total of 100,000 warrants exercisable no later than May 15, 2008, of which 75,000 were issued to Nedbank and 25,000 were issued to Auramet Trading. Each warrant entitles the holder to purchase one share of the Company's common stock for a period of two years, at an exercise price of \$1.00, being an amount equal to the average of the closing price of the Company's common stock (as quoted on Pink Sheets LLC) for the twenty trading days prior to May 15, 2006.

On May 31, 2006, in connection with the advance to the Company of an additional \$1,000,000 by Auramet Trading (who acted through Nedbank by way of an amendment to the \$3,900,000 Nedbank bridge loan), the Company issued to Auramet warrants for the purchase of 250,000 shares of the Company's common stock, exercisable for a period of two years at an exercise price of \$1.15 per share, being equal to 110% of the average closing price of the Company's common stock (as quoted on the Pink Sheets LLC) for the 20 trading days prior to the date of the Amended and Restated Secured Promissory Note.

During September 2006, in connection with the extension of the maturity date of the Nedbank bridge loan the Company issued 88,770 common stock purchase warrants to Nedbank and 61,230 common stock purchase warrants to Auramet Trading, LLC. Each warrant entitles the holder to purchase one share of common stock on or before September 30, 2008, at an exercise price of \$.83.

8. STOCK-BASED COMPENSATION

2006 Stock Incentive Plan

The Company has adopted a stock incentive plan (the "2006 Stock Incentive Plan") which was approved by the stockholders of the Company at the Annual General Meeting of Stockholders held on October 18, 2006. A total of 6,000,000 shares of common stock have been reserved for issuance under all awards that may be granted under the 2006 Stock Incentive Plan. Eligible Participants who are entitled to participate in the 2006 Stock Incentive Plan consist of employees, directors and consultants of (a) the Company or (b) any of the following entities: (i) any "parent corporation" as defined in section 424(e) of the Internal Revenue Code of 1986, as amended (the "Code"); (ii) any "subsidiary corporation" as defined in section 424(f) of the Code; or (iii) any business, corporation, partnership, limited liability company or other entity in which the Company, a parent corporation or a subsidiary corporation holds a substantial ownership interest, directly or indirectly.

The 2006 Stock Incentive Plan provides for the granting to Eligible Participants of such incentive awards (each, an "Award") as the administrator of the 2006 Stock Incentive Plan may from time to time approve. Subject to applicable laws, including the rules of any applicable stock exchange or national market system, the administrator is authorized to grant any type of Award to an Eligible Participant (each a "Grantee") that by its terms involves or may involve the issuance of: (i) shares of common stock, (ii) a stock option, (iii) a stock appreciation right entitling the Grantee to acquire such number of shares of common stock or such cash compensation as will be determined by reference to any appreciation in the value of the Company's common stock, (iv) restricted stock issuable for such consideration (if any) and subject to such restrictions as may be established by the administrator, (v) unrestricted stock issuable for such consideration (if any) on such terms and conditions as may be established by the administrator, (vi) restricted stock units, subject to such restrictions as may be imposed by the administrator, and represented by notional accounts maintained in the respective names of the Grantees that are valued solely by reference to shares of common stock of the Company and payable only in shares after the restrictions

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

have lapsed, (vii) deferred stock units issuable to eligible directors in lieu of certain eligible remuneration otherwise payable in shares of common stock, subject to settlement in accordance with the terms and conditions of the Award and represented by notional accounts maintained in the respective names of the Grantees, (viii) dividend equivalent rights, which are rights entitling the Grantee to receive credits for dividends that would be paid if the recipient had held a specified number of shares of common stock, (ix) any other security with the value derived from the value of the Company's common stock, or (x) any combination of the foregoing.

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

Stock Options

The Company has granted incentive and non-qualified stock options to its directors under terms of its 2006 Stock Incentive Plan. The Company has also granted non-qualified, non-plan stock options, which have been authorized by the Company's board of directors.

Stock options are generally granted at an exercise price equal to or greater than the quoted market price on the date of grant. During 2006, the Company granted 2,074,999 stock options, of which 1,300,000 stock options were granted under the 2006 Stock Incentive Plan and 774,999 were non-plan stock option grants. During 2005 the Company issued 2,750,000 non-plan stock options. The outstanding options expire at various dates from 2007 to 2011.

During 2006, the Company granted 99,999 stock options to non-employees of the Company valued at \$20,340 for payment on the Coyote Springs option. The valuation of the options granted to non-employees is estimated using the Black-Scholes option pricing model.

A summary of the activity under the Company's outstanding stock option plans as of December 31, 2006 and 2005 and changes during the years then ended is set forth below:

	Number of Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2004	2,286,499	\$.46
Granted	2,750,000	.15
Exercised	-	-
Cancelled	(296,500)	1.03
Options outstanding at December 31, 2005	4,739,999	.25
Granted	2,074,999	.84
Exercised	(2,715,000)	.02
Cancelled	(1,175,000)	.46
Options outstanding at December 31, 2006	2,924,998	\$.79

During 2006, 2,715,000 stock options with an intrinsic value of \$753,500 were exercised at an exercise price of \$54,300. No stock options were exercised during 2005.

The following table summarizes information about the Company's stock options outstanding at December 31, 2006:

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Intrinsic Value
Total Stock Options	2,924,998	4.5	\$.79	\$ 1,054,498
Exercisable Stock Options	2,391,665	3.5	.73	1,001,165

There are 2,924,998 stock options outstanding at December 31, 2006, of which 2,124,998 are non-qualified, non-plan stock options and 800,000 were issued pursuant to the Company's 2006 Stock Incentive Plan. The Company had issued an additional 500,000 stock options to the Company's President and Chief Executive Officer in May 2006; however, these options were cancelled in September 2006 pursuant to a settlement agreement entered into subsequent to his resignation.

The following table summarizes the unvested stock options outstanding as of December 31, 2006:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested Options outstanding at December 31, 2005	-	\$ -
Granted	2,074,999	.46
Vested	(1,041,666)	.34
Cancelled/Forfeited	(500,000)	.38
Non-vested Options outstanding at December 31, 2006	533,333	\$.78

The total grant date fair value of options vested in 2006 and 2005 were \$355,698 and \$795,540, respectively. As of December 31, 2006, 533,333 stock options remain unvested resulting in \$417,449 in compensation expense to be recognized over the following 1.25 years.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted. The expected forfeiture rate of 21% in 2006 is based on historical employee turnover rates for 2006 and includes the actual forfeiture of stock options due to the resignation of one of the Company's officers. All stock options granted in 2005 vested at the time of grant and therefore the expected forfeiture rate was 0%. The expected term of the options granted is estimated using the formula set forth in Securities and Exchange Commission Staff Accounting Bulletin No. 107. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant. In 2006, in connection with the adoption of SFAS 123(R), Share-Based Payment, the expected volatility is based on the weighted historical volatility of the Company's common stock and that of its peer group. In 2005 the expected volatility is based on the weighted historical volatility of the Company's common stock.

The following assumptions were used to estimate the fair value of stock options granted during 2006 and 2005:

	2006	2005
Risk-free interest rate	4.5% to 4.9%	3.7% to 4.3%

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Expected term in years	1.5 to 5.5 years	3 to 5 years
Expected volatility	60% to 90%	176% to 185%
Expected dividend yield	0%	0%

F-40

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The weighted average fair value of options granted in 2006 and 2005 were \$.46 and \$.29, respectively.

During June 2004, Ronald Hirsch exercised 1,750,000 stock options at an exercise price of \$35,000. Subsequently, during April 2005, Mr. Hirsch and the Company agreed to rescind this stock option exercise. In exchange for the \$35,000 that was paid to exercise the stock options, the Company issued Mr. Hirsch a convertible promissory note for \$35,000 and cancelled the related 1,750,000 shares of common stock.

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

During 2006, the Company granted 1,975,000 and cancelled 1,175,000 stock options to employees and directors for which \$574,269 in compensation expense was recognized. During 2005, the Company granted 2,250,000 and cancelled 296,500 stock options to employees and directors for which \$455,000 in compensation expense was recognized.

Deferred Stock Units

In 2006, certain equity-based fees have been paid to the Company's non-executive directors in the form of awards issued pursuant to the Company's 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of the Company's non-executive directors exercised such rights in respect of the equity-based fees payable to him for 2006. Accordingly, during 2006, Wade Nesmith, the Company's Lead Director and the Chairman of each of the Executive and the Corporate Governance and Nominating Committees, received 47,907 deferred stock units; Douglas Hamilton, the Chairman of the Company's Audit Committee received 40,342 deferred stock units; John Cook, the Chairman of the Company's Compensation Committee received 32,778 deferred stock units; and Stephen Seymour received 25,214 deferred stock units. During 2006, the Company recognized expense of \$126,874 related to the issuance of deferred stock units to its independent directors. The deferred stock units were granted under the 2006 Deferred Stock Unit Plan.

Common Stock

During 2006 and 2005 the Company issued 666,471 and 430,000 shares of common stock to employees of the Company, respectively. The weighted average grant date fair value of common stock issued to employees during 2006 and 2005 was \$.72 and \$.30 per share, respectively. Stock based compensation related to these awards of \$309,986 and \$183,950 is included in operating expenses for 2006 and 2005, respectively.

During 2005, the Company issued 430,000 shares of common stock for services valued at \$127,700 to John Perry, the Company's Senior Vice President and Chief Financial Officer. Pursuant to the Company's employment agreement with Mr. Perry, the Company was required to issue 250,000 shares of the Company's common stock on Mr. Perry's one-year anniversary with the Company which occurred in April 2006. The Company recognized \$18,750 and \$56,250 of compensation expense related to this obligation during the years ended December 31, 2006 and 2005, respectively. During 2006, pursuant to his employment agreement, the Company issued 490,000 shares of its common stock, including the

NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

250,000 shares referenced above, to Mr. Perry, for which \$221,750 of compensation expense was recognized. In addition pursuant to the Company's employment agreement with Mr. Perry, he will be compensated on a monthly basis based on the issuance of 20,000 shares of the Company's common stock per month. Mr. Perry will be paid in cash after the Company has raised at least \$10 million.

On May 12, 2006, the Company issued 176,471 shares of its common stock valued at \$88,236 to Nick Tintor, who was then the Company's President and Chief Executive Officer, pursuant to his employment agreement.

9. COMMITMENTS AND CONTINGENCIES

Capital Lease

During 2004, the Company entered into a lease for certain mining equipment that qualifies as a capital lease obligation. As a result, the present value of the future minimum lease payments is recorded as equipment and related capital lease obligation in the accompanying consolidated balance sheet. At December 31, 2006 the cost of equipment acquired under the capital lease obligation was \$75,000 and the related accumulated amortization was \$46,875.

Future minimum lease payments for the capital lease obligation are as follows for the years ending December 31:

2007	\$	25,293
2008		12,647
Total minimum obligations		37,940
Less amounts representing interest		(9,815)
Present value of minimum obligations		28,125
Less current maturity		(18,750)
Non-current	\$	9,375

Office Lease

Effective June 1, 2006, the Company entered into a lease agreement for office space in Tucson, Arizona. The amount of the lease is \$4,000 per month, subject to 3% escalation per annum and rental tax, has a term of 5 years, and includes a right to terminate the lease at the end of the third year.

The following is a schedule of future minimum lease payments at December 31, 2006 under the Company's operating leases that have initial or remaining non-cancellable lease terms in excess of one year:

2007	\$	48,840
2008		50,298
2009		51,803
2010		53,368
2011		22,513
Total	\$	226,822

Rental expense charged to operations was \$28,680 and \$0 for the years ended December 31, 2006 and 2005, respectively.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Coyote Springs

In January 2004, the Company acquired an exclusive option (*Coyote Springs Option*) to purchase the leasehold rights and mining claims located near Safford in Graham County, Arizona described as *Coyote Springs* , consisting of two State of Arizona exploration leases and 52 unpatented mining claims. The *Coyote Springs* property is a significant, large tonnage porphyry copper-gold exploration target with exposed, surface copper oxides and considerable potential for deeper copper sulfides. *Coyote Springs* is situated adjacent to the Phelps Dodge Corporation *Dos Pobres* copper development project near Safford, which has been determined by the United States Geological Survey to be one of the largest undeveloped porphyry copper mining districts in the world with proven undeveloped reserves.

During 2004, the Company issued 199,998 shares of common stock, valued at \$80,000, \$22,500 in cash and options to purchase 99,999 shares of common stock in conjunction with the *Coyote Springs Option*. The stock options are immediately exercisable, expire in 36 months and were valued at \$39,453 under the fair value provisions of SFAS No. 123. During 2005, the Company issued 86,538 shares of common stock, valued at \$22,500 in conjunction with the *Coyote Springs Option*. During 2006, the Company issued 83,844 shares of common stock, valued at \$29,010 and \$21,000 in cash and options to purchase 99,999 shares of common stock in conjunction with the *Coyote Springs Option*. The stock options are immediately exercisable, expire in 36 months and were valued at \$20,340 under the fair value provisions of SFAS No. 123. As of December 31, 2006 the total consideration paid under the *Coyote Springs Option* was \$234,801 which is included in property and equipment in the accompanying consolidated balance sheet.

In addition to the above, the *Coyote Springs Option* provides for (i) at the election of the *Coyote Springs* owners, the issuance of either 99,996 shares of common stock or \$114,990 cash in the aggregate, to be paid in two annual installments of \$54,990 and \$60,000 beginning in January 2007; (ii) the issuance of options in 2008 to purchase 99,999 shares of common stock; and (iii) in January 2009, at the election of the *Coyote Springs* owners, payment of \$1,600,005 in cash or the equivalent value in shares of common stock.

The *Coyote Springs Option* also provides for the payment of production royalties based on certain levels of copper sales, the payment of a 4% sales commission in the event the Company sells *Coyote Springs* and meeting certain exploration and development expenditures relative to *Coyote Springs* totaling \$1,250,000 during the term of the agreement.

The stock options relative to the *Coyote Springs Option* are to be issued at an exercise price of 15% below the value of the Company's common stock on the date of grant, are immediately exercisable and expire in 36 months. The *Coyote Springs Option* expires in January 2009 and may be terminated by the Company with 90 days written notice.

Mimbres

In June 2004, the Company acquired an exclusive option (*Mimbres Option*) to purchase the leasehold rights and mining claims for a large tonnage porphyry copper exploration target located near Silver City, New Mexico (*Mimbres*). The *Mimbres* property consists of 4.6 square miles of New Mexico State mineral leases and 45 unpatented mining claims. *Mimbres* is located seven miles southeast of the Phelps Dodge *Chino* mines open pit, mill and smelter complex. The Phelps Dodge *Chino* copper mine is the oldest active copper mine in the Southwest United States, started by the Spanish in the early 1800's.

The *Mimbres Option* provides for the Company to issue 300,000 shares of its common stock, options to purchase 150,000 shares of common stock and \$6,000 cash on the effective date of the agreement, which was June 10, 2004.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The Mimbres Option also provides for (i) the issuance of 105,000 shares of common stock annually for the next four years beginning June 2005; (ii) the issuance of options to purchase 120,000, 90,000 and 60,000 shares of common stock during the years ending December 31, 2005, 2006 and 2007, respectively; and (iii) at the election of the Mimbres owners, payment of \$2,400,000 cash or the equivalent value in shares of common stock in June 2009. As of December 31, 2006, the Company had not issued any common stock or stock options due to certain conditions of the Mimbres Option that have not been satisfied. The Company is under no obligation to issue any consideration until such time that the Mimbres Option conditions have been satisfied. The Company is also obligated for the payment of production royalties based on certain levels of copper sales, the payment of a 4% sales commission in the event the Company sells Mimbres and meeting certain exploration and development expenditures relative to Mimbres totaling \$1,400,000 during the term of the agreement.

The stock options relative to the Mimbres Option are to be issued at an exercise price that is 15% below the value of the Company's common stock on the date of grant, are immediately exercisable and expire in 36 months. The Mimbres Option expires 5 years from the date certain outstanding conditions of the Mimbres option agreement are satisfied and may be terminated by the Company with a 90 day written notice.

Texas Arizona Mine

In July 2004, the Company entered into an option agreement to acquire a 100% interest in four unpatented mining claims in Cochise County, Arizona, known as the Texas Arizona Mine. The Company paid \$980 to acquire the option and agreed to pay \$10,000 within four years to acquire the Texas Arizona Mine.

Consent/Compliance Orders

Effective with the acquisition of the Johnson Camp Mine, the Company agreed to a Consent Order with the Arizona Department of Environmental Quality (ADEQ). The Consent Order specifies actions the Company must take to remediate conditions at the mine that are not in compliance with current Arizona laws, including modifications to the current facilities that will be required to qualify for an Aquifer Protection Permit (APP) application. The Consent Order also sets forth a schedule under which the Company has agreed to file an application for an APP. The ADEQ may impose financial penalties on the Company for failure to meet the requirements of the Consent Order. The Company plans to meet its obligations under the Consent Order in the course of rehabilitating the mine and returning it to full production.

On September 7, 2002, the ADEQ issued a Compliance Order indicating that the Company's operation of the Johnson Camp Mine was in violation of the Arizona Revised Statutes, the Arizona Administrative Code and the ADEQ Consent Order referenced above, and required the Company to bring the Johnson Camp Mine into compliance with Arizona's aquifer protection laws. The Compliance Order superseded and replaced the Consent Order referenced above. Pursuant to the Compliance Order, the Company and the ADEQ entered into a stipulated judgment which assessed civil penalties against the Company in the amount of \$4,325,000. In addition, the Compliance Order created an escrow account into which the Company was required to deposit \$1,500,000 to be used to bring the mine into compliance. The Compliance Order provides that violation of said order will subject the Company to further civil penalties including entry of the stipulated judgment. Pursuant to the Compliance Order, the Company deposited \$1,500,000 into an escrow account, all of which has been spent to bring the Johnson Camp Mine into compliance with the Compliance Order. Management believes that the Company is currently operating the mine in compliance with the Compliance Order.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Settlement Agreement With Nicholas Tintor

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

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

Pursuant to the Tintor Settlement Agreement, in October 2006 the Company paid Mr. Tintor \$70,000. As of December 31, 2006, the Company had an accrued obligation of \$163,000 associated with the settlement. On January 7, 2007 the Company issued Mr. Tintor 139,880 common shares of the Company in full satisfaction of the agreement.

Settlement Agreement

On February 8, 2006, the Company entered into an agreement with a former outside director of the Company who resigned in December 1995, to settle certain retirement benefit claims. Under the terms of the settlement, the Company issued 42,500 shares of common stock, agreed to pay \$8,500 in cash for retirement benefits for calendar year 2006 and reaffirmed its continuing obligation to make annual payments in the amount of \$8,500. Accordingly, during the year ended December 31, 2006, using its risk adjusted interest rate, the Company recorded the present value of the estimated annual payments to be made under the settlement agreement. The balance of the liability, which is recorded in accrued expenses, was \$65,635 as of December 31, 2006.

Officer Indemnification

Under the Company's organizational documents, the Company's officers, employees, and directors are indemnified against certain liabilities arising out of the performance of their duties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects any risk of loss to be remote.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Royalty Obligations

Copper metal produced from Johnson Camp Mine is subject to a \$.02 per pound royalty payable to Arimetco when copper prices are in excess of \$1.00 per pound. The royalty is capped at an aggregate of \$1 million.

Retention Bonus

In an effort to retain two individuals as employees, the Company has adopted a retention bonus program which is payable if the eligible participant is a full-time employee of the Company at least one day prior to:

- (a) a registered equity offering and/or a debt project financing (collectively or separately, a "Funding") in which the Company raises at least \$25,000,000, or
- (b) a significant corporate transaction (a Significant Transaction) which results in a change of control of the Company, or which involves a sale, lease, exchange or other transfer of all or substantially all of the Company's assets or assets valued at \$12,000,000 or greater.

The retention bonus shall be earned and payable only upon the completion of either a Funding or Significant Transaction by June 30, 2007. The aggregate potential amount of the retention bonus for these two individuals is \$122,500.

10. LITIGATION

As of December 31, 2006, the Company knows of no material, existing or pending legal proceedings against it, nor is it involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of the Company's directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to the Company's interest.

From time to time the Company is subject to various claims and legal proceedings arising in the ordinary course of business. Although occasional adverse decisions or settlements may occur, management believes that the final disposition of such matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company; however, litigation is inherently uncertain and the Company can make no assurance as to the ultimate outcome or effect.

11. RELATED PARTY TRANSACTIONS

In addition to related party transactions discussed throughout the notes to the consolidated financial statements, the following related party transactions have occurred:

At December 31, 2006, the Company has accrued \$295,000 for consulting services performed by Ronald Hirsch, Chairman of the board of directors. Mr. Hirsch converted \$25,000 of the original accrued consulting liability into a convertible promissory note, which has a balance of \$106,000 at December 31, 2006.

The Company has recorded \$32,448 in accounts payable for consulting services performed by Mine Tech Services, an entity owned and operated by Erland Anderson, the Company's CEO and President and member of the board of directors, at December 31, 2006.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

At December 31, 2006, the Company has accrued \$600,000 in unpaid salary and \$300,000 in unpaid bonus to Mr. Hirsch, \$385,833 in unpaid salary and \$300,000 in unpaid bonus to Mr. Anderson, and \$300,000 in unpaid bonus to Mr. Perry.

In October 2005, John Perry purchased 142,857 units of the Company's common stock in a private placement for \$50,000. The units include warrants, which have a term of three years, to purchase 142,857 additional shares of common stock at an exercise price of \$.40 per share.

Certain of the accrued consulting fees, accrued salary and other items payable to Ronald Hirsch, Erland Anderson and Stephen Seymour are restricted from being paid until the Nedbank loan has been paid in full.

Settlement Agreement with TMD Acquisition Corporation

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

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

Pursuant to the *Settlement Agreement* and a related *Assignment Agreement* dated as of October 18, 2006 between the Company and TMD Acquisition, the Company took an assignment of the *Acquisition Agreement*, and has agreed to reimburse certain expenses in the aggregate amount of \$365,000 (the *TMD Expenses*) and assume certain accounts payable in the aggregate amount of \$101,442 incurred by TMD in the preservation of the *Zinc Opportunity*.

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

Although ASARCO's trustee in bankruptcy has sold the *Zinc Assets*, the Company instructed counsel to preserve any right of action (the *ASARCO Claim*) that the Company may have against ASARCO and ASARCO's trustee in bankruptcy. On December 12, 2006, the Company entered into a settlement agreement with ASARCO pursuant to which ASARCO paid to the Company \$475,000 in consideration of the execution and delivery by the parties of mutual general releases.

The TMD *Settlement Agreement* provided that the Company would reimburse the *TMD Expenses* upon the earlier of certain specified events but no later than December 22, 2006. In addition, if the Company receives any cash payment on account of the *ASARCO Claim*, it is required to first remit such portion of the cash payment to TMD Acquisition as will be required to fully pay the outstanding balance of the *TMD Expenses*. However, TMD Acquisition has agreed to defer reimbursement of the *TMD Expenses* until the Company's financial position has improved.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following table presents a summary of the Company's financial instruments as of December 31, 2006:

	Carrying Amount	Estimated Fair Value
December 31, 2006		
Financial Assets:		
Cash and cash equivalents	\$ 1,007,835	\$ 1,007,835
Financial Liabilities:		
Long-term debt	5,745,739	*

The carrying amounts for cash and cash equivalents, receivables, accounts payable and accrued expenses approximate fair value because of the short maturities of these financial instruments.

* The fair value for the Company's long-term debt cannot be determined as the financial instrument is not actively traded.

13. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. The Company places its cash with high quality financial institutions and limits its credit exposure with any one financial institution. At times, the Company's bank account balances may exceed federally insured limits.

14. NON-CASH INVESTING AND FINANCING ACTIVITIES

Available for Sale Securities

During the year ended December 31, 2005 due to a change of classification of the Company's investment in marketable securities from securities available for sale to securities held for trading, the Company transferred \$968,386 from accumulated other comprehensive income to marketable securities held for trading.

Acquisition of Coyote Springs

Pursuant to the option to purchase Coyote Springs, during the years ended December 31, 2006 and 2005, the Company issued 83,844 and 86,538 shares of its common stock valued at \$29,010 and \$22,500, respectively. During the year ended December 31, 2006, the Company issued 99,999 options to purchase common stock valued at \$20,340.

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Revolving Line of Credit

During the year ended December 31, 2005, the Company entered into a revolving line of credit agreement with Ronald Hirsch and Stephen Seymour, which required the Company to issue 2,260,000 shares of its common stock valued at \$637,000 and 2,260,000 warrants valued at \$562,478. Each warrant entitles the lender to purchase one share of common stock at an exercise price of \$.25 for a period of three years.

Bridge Loan

During the year ended December 31, 2005, the Company entered into a bridge loan facility with Nedbank Limited and Auramet Trading, LLC, pursuant to the bridge loan facility during the years ended December 31, 2006 and 2005 the Company issued warrants with an estimated value of \$260,279 and \$171,200, respectively.

Beneficial Conversion Feature Associated with Debt

During the year ended December 31, 2005 the Company entered into a convertible promissory note with Ronald Hirsch which, due to the value of the Company's common stock exceeding the debt conversion price on the date of the loan, contained a beneficial conversion feature in the amount of \$25,000. The Company has recorded the beneficial conversion feature as a reduction of debt and increased additional paid-in capital the same amount during the year ended December 31, 2005. The beneficial conversion feature is amortized to interest expense over the life of the loans.

Convertible Note Issued in Connection with Rescission of Stock Option

During June 2004, Ronald Hirsch exercised 1,750,000 stock options at an exercise price of \$35,000. Subsequently, during April 2005, Mr. Hirsch and the Company agreed to rescind this stock option exercise. In exchange for the \$35,000 that was paid to exercise the stock options, the Company issued Mr. Hirsch a convertible promissory note for \$35,000 and cancelled the related 1,750,000 shares of common stock.

Settlement of Accounts Payable

During the years ended December 31, 2006 and 2005, the Company issued 46,753 and 12,000 shares of common stock to settle outstanding payables of \$36,924 and \$12,866, respectively.

15. SUBSEQUENT EVENTS

Coyote Springs

During January 2007, the Company paid \$18,330 and issued 33,332 shares of common stock valued at \$36,665 in connection with the Coyote Springs Option.

Settlement Agreement With Nicholas Tintor

Pursuant to the Tintor settlement agreement, and in full satisfaction of the agreement, on January 7, 2007 the Company issued Mr. Tintor 139,880 shares of common stock of the Company valued at \$163,000.

Termination of Merger

The Company has entered into a settlement agreement dated March 7, 2007 with Platinum Diversified Mining, Inc. (Platinum) and Platinum's direct and indirect subsidiaries, Platinum Diversified Mining USA, Inc. (PDM USA) and

PDM Merger Corp. (Merger Sub and together with Platinum and PDM

F-49

**NORD RESOURCES CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

USA, the PDM Parties), in connection with the agreement and plan of merger dated October 23, 2006 (the Merger Agreement) among the parties. The Merger Agreement contemplated the acquisition of the Company by Platinum in an all-cash merger transaction (the Merger).

The settlement agreement sets forth the terms and conditions of the settlement of the dispute and disagreements between the Company and the PDM Parties arising from the failure of the Merger to close.

Under the settlement agreement, the PDM Parties have agreed to pay to the Company an amount of up to \$3.6 million in full and final settlement of all claims and disputes between the parties, as follows:

- (a) The PDM Parties agreed to forthwith pay the sum of \$1.1 million to the Company (the Initial Payment), to be paid by way of the release to the Company of the \$1 million previously deposited by Platinum with American Stock Transfer & Trust Company (AST), as escrow agent, pursuant to the Merger Agreement (including interest, but net of AST 's expenses), with any shortfall to be paid from Platinum 's working capital; and
- (b) Platinum has agreed to pay the sum of \$50,000 to the Company each calendar month, beginning on April 1, 2007 (the Monthly Payments) until the earlier of (i) the completion of an acquisition by Platinum that meets certain prescribed criteria (a Qualifying Acquisition), or (i) the actual liquidation of Platinum if it has not entered into a letter of intent or agreement in principle to effect a Qualifying Acquisition, or if it has not completed a Qualifying Acquisition, by certain prescribed dates.

The Company received the Initial Payment of \$1.1 million on March 8, 2007. If Platinum completes a Qualifying Acquisition, Platinum will be required to pay the balance owing on the settlement sum of \$3.6 million (the "Balance of Settlement Funds"), net of the Initial Payment and any Monthly Payments actually received by the Company. The Balance of Settlement Funds will be payable to the Company out of certain funds being held in trust (the "Trust Funds") as a condition of Platinum's listing as a special purpose acquisition corporation on the AIM market ("AIM") of the London Stock Exchange. If the Trust Funds are insufficient to pay the Balance of Settlement Funds, Platinum will be required to pay to the Company the greater of: (i) the funds available and (ii) \$1 million. Thereafter, Platinum will continue to be obligated to make the Monthly Payments, plus interest, until the Balance of Settlement Funds has been paid.

According to Platinum 's public disclosure record, it was admitted to trading on AIM on March 13, 2006 (the Admission Date), and it must be dissolved and the Trust Funds returned to its security holders, if it has not: (a) effected a Qualifying Acquisition or signed a letter of intent, agreement in principle or definitive agreement to effect a Qualifying Acquisition within the 12 months following the Admission Date; or (b) (having signed a letter of intent or an agreement in principle within 12 months following the Admission Date) effected an acquisition within 18 months following the Admission Date. In the event that Platinum is dissolved for having failed to meet these conditions, it will not be required to pay the Balance of Settlement Funds to the Company and shall be relieved of any further obligations to make payments under the settlement agreement. Platinum issued a press release on March 14, 2007 announcing that it had entered into two separate letters of intent on mining projects which, taken in aggregate, it believes would constitute a Qualifying Acquisition eligible for submission to Platinum 's shareholders for approval.

Under the settlement agreement, the PDM Parties have acknowledged that the Company is also entitled to retain any and all payments made by the PDM Parties under the Merger Agreement to keep the Company 's option on the Coyote Springs property in good standing.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, in which such person is made a party by reason of the fact that the person is or was a director, officer, employee of or agent to the corporation (other than an action by or in the right of the corporation a derivative action), if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification only extends to expenses (including attorneys' fees) incurred in connection with the defense or settlement of such action, and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, disinterested director vote, stockholder vote, agreement, or otherwise.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- (a) for any breach of the director's duty of loyalty to the corporation or its stockholders,
- (b) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law,
- (c) in respect of certain unlawful dividend payments or stock redemptions or repurchases, or
- (d) for any transaction from which the director derived an improper personal benefit.

As permitted by the Delaware General Corporation Law, our Certificate of Incorporation, as amended, provides for indemnification of directors as follows:

No Director shall be personally liable to the Corporation or any stockholder for monetary damages for breach of fiduciary duty as director, except, in addition to any and all other requirements for such liability, (i) for any breach of such director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) to the extent provided under Section 174 of Title 8 of the Delaware Code (relating to the General Corporation Law of the State of Delaware) or any amendment thereto or successor provision thereto, (iv) for any transactions for which said director derived personal benefit. Neither the amendment nor repeal of this Article Tenth, nor the adoption of any provisions of this certificate of incorporation inconsistent with this Article Tenth, shall eliminate or reduce the effect of this Article Tenth in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article Tenth, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

In addition, our Amended and Restated Bylaws provide for indemnification of certain persons, including our directors and officers, as follows:

Without limiting any power or right of the corporation to provide indemnification in such additional circumstances as the corporation may from time to time deem appropriate, the corporation shall indemnify every person, his heirs, executors and administrators, who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with such action, suit or proceeding and against fines, judgments and reasonable settlement amounts to the full extent permitted by, and subject to the determinations and otherwise in accordance with the procedures (including, without limitation, procedures for the advancement of expenses) specified in, the General corporation Law of the State of Delaware.

In addition, our company has obtained a director and officer insurance policy that insures our directors and officers and those of our subsidiaries against certain liabilities they may incur in their capacity as directors and officers. Under these policies, the insurer, on our behalf, may also pay amounts for which we have granted indemnification to the directors or officers.

Other Expenses of Issuance and Distribution

We will pay all expenses in connection with the issuance and distribution of the securities being registered, except selling discounts and commissions of the selling security holders. The following table sets forth the costs and expenses related to this offering (other than underwriting discounts and commissions) expected to be incurred with the issuance and distribution of the securities described in this registration statement. All amounts are estimates except the SEC registration fee.

	Amount to be Paid
SEC registration fee	\$ 2,269.80
Legal fees and expenses	60,000.00
Accounting fees and expenses	40,000.00
Blue sky fees and expenses (including legal fees)	500.00
Transfer agent and registrar fees	1,000.00
Miscellaneous	8,000.00
Total	\$ \$111,769.80

Recent Sales of Unregistered Securities

During the three-year period prior to June 30, 2007, we sold securities in the following transactions without registering the securities under the Securities Act of 1933, as amended:

- In June 2004, we commenced a private placement of units at a price of \$0.35 per unit. Each unit consisted of one share of common stock and a warrant to purchase one-half of one share of common stock. Each warrant entitled the holder to purchase one share of common stock at an exercise price of \$0.35 for a period of three years. Between June and December, 2004, we sold a total of 121,500 units pursuant to this private placement for aggregate gross proceeds of \$42,525. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the year ended December 31, 2004, we issued 247,091 fully paid and non-assessable shares of common stock to settle outstanding payables in the amount of \$260,880. We issued these securities

to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- During the year ended December 31, 2004, we issued 130,645 fully paid and non-assessable shares of common stock to Rex Loesby, formerly our Vice President of Corporate Development and Treasurer, for consulting services valued at \$48,822. We issued these securities to Mr. Loesby, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- In September 2005, we commenced a private placement of up to a maximum of 1,428,571 units, whereby one unit, consisting of one share of common stock and a warrant to purchase one share of common stock, was offered for \$0.35 per unit. During the year ended December 31, 2005, we sold 819,644 units for \$286,875. During January 2006, we sold an additional 80,000 units for gross proceeds of \$28,000 pursuant to the final tranche of this private placement. As at January 31, 2006, we had sold 899,644 units for a total of \$314,875 pursuant to this private placement. The stock purchase warrants have an exercise price of \$0.40 and expire in three years. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the year ended December 31, 2005, we issued 12,000 shares of our common stock to settle outstanding payables of \$12,866. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Pursuant to a Settlement Agreement and General Release dated April 22, 2005 between our company and W. Pierce Carson, we issued 250,000 fully paid and non-assessable shares of our common stock and 250,000 common stock purchase warrants to Mr. Carson. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.50 per share until April 22, 2008. We issued these securities to Mr. Carson, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, amended.
- We entered into a \$600,000 revolving line of credit agreement dated June 21, 2005, with Ronald Hirsch and Stephen Seymour. In consideration for the issuance of the line of credit, our company agreed to issue to Mr. Hirsch and Mr. Seymour four shares of common stock and four warrants for every \$1 loaned to our company. Each warrant entitles the holder to purchase one share of common stock at an exercise price of \$0.25 for a period of three years. The warrants expire as follows: 100,000 warrants will expire on June 21, 2008; 100,000 warrants will expire on June 29, 2008; 900,000 warrants will expire on July 8, 2008; 400,000 warrants will expire on August 1, 2008; 200,000 warrants will expire on September 22, 2008; 60,000 warrants will expire on October 5, 2008; 40,000 warrants will expire on October 11, 2008; and 460,000 warrants will expire on October 20, 2008. We have issued a total of 2,260,000 shares of common stock valued at \$637,000 and 2,260,000 warrants to purchase one share of common stock valued at \$562,478 pursuant to this revolving line of credit. We issued these securities to Mr. Hirsch and Mr. Seymour, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- As described under the heading Johnson Camp Property Other Properties Coyote Springs, we acquired an exclusive option from Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC in January 2004 to purchase the leasehold rights and mining claims located near Safford in Graham County, Arizona described as Coyote Springs. During 2004, we issued a total of 199,998 fully paid and non-assessable shares of common stock valued at \$79,999 and 99,999 options valued at \$39,453 to the Coyote Springs owners. The 99,999 options issued in 2004 expired unexercised. On January 28, 2005, we issued a total of 86,538 fully paid and non-assessable shares of common stock to Thornwell Rogers, South Branch Resources, LLC, and MRPGEO, LLC pursuant to the agreement. Pursuant to an amendment agreement dated January 27, 2006, we issued an additional 83,844 shares

of our common stock, valued at \$29,010, to the Coyote Springs owners, and 99,999 stock options exercisable at an exercise price of \$0.47 per share. In January 2007, we issued 33,332 shares of common stock, valued at \$36,665, to the Coyote Springs owners. We issued these securities to Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC, all of whom are accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- Between January 2005 and May 2005, we issued 67,271 shares of common stock valued at \$22,720 to Rex Loesby, our former Vice President of Corporate Development and Treasurer, for consulting services. As of May 9, 2005, Mr. Loesby ceased being an officer of our company. We issued these securities to Mr. Loesby, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During 2005, we issued 430,000 shares of common stock and the following stock options to John Perry, who was then our Senior Vice President and Chief Financial Officer: 200,000 options exercisable at \$0.30 per share; 100,000 options exercisable at \$0.40 per share; 100,000 options exercisable at \$0.50 per share; and 100,000 options exercisable at \$0.60 per share. All of the options expire on April 1, 2010. We issued these securities to Mr. Perry, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On October 17, 2005, we obtained a loan in the amount of \$2,850,000 from Auramet Trading, LLC, of which \$1,850,000 was funded by Ronald A. Hirsch pursuant to an Agreement for Credit Risk Participation dated October 17, 2005, between Auramet Trading and Ronald Hirsch. In connection with this loan, 250,000 warrants were issued to Auramet Trading for the purchase of an equal number of shares of our common stock. The warrants were to be exercisable on or before October 17, 2007 at an exercise price equal to the final price at which our shares are sold in an offering, provided that if we do not complete an offering of our common stock on or before April 17, 2006, then the exercise price will be the average closing price of our common stock for the 20 trading days prior to April 17, 2006. Since we did not complete a public offering by April 17, 2006, we issued the 256,410 replacement warrants to Auramet Trading. The new warrants are exercisable at a price of \$0.56 per share and shall expire on April 17, 2008. In addition to the 250,000 warrants issued to Auramet Trading discussed above, we also issued additional warrants to Auramet Trading for the purchase of our common stock. The number of warrants is to be calculated by dividing the Canadian dollar equivalent of \$1,000,000 (on October 17, 2005) by the final price at which a share of our stock is sold in an initial public offering and multiplying the result by 0.15. The warrants are exercisable on or before October 17, 2007, provided that we complete an offering of our common stock on or before April 17, 2006. Since we did not complete an offering by April 17, 2006, the warrants expired on April 17, 2006, and we issued new warrants to Auramet Trading for the purchase of 256,410 shares of our common stock at an exercise price of \$0.56 per share, being the average closing price of our common stock on the Pink Sheets LLC for the 20 trading days prior to April 17, 2006. The new warrants expire on April 17, 2008. We issued these securities to Auramet Trading, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On November 8, 2005, we obtained a loan in the amount of \$3,900,000 from Nedbank Limited, in which Auramet Trading participated through the contribution of the \$1,000,000 outstanding amount payable by us under the October 17, 2005 loan. Nedbank and Auramet Trading are at arm's length from each other. From the proceeds of this loan, \$1,860,175 was used to repay the portion of the Auramet Trading loan that was contributed by Mr. Hirsch. A secured promissory note was issued to Nedbank Limited that provides for interest only payments at a rate of 9% per annum payable monthly and the note matures on the earlier of May 8, 2006 or the closing of an equity offering in which we raise not less than \$25,000,000. In connection with this loan, warrants were issued to Nedbank Limited for the purchase of our common stock. The number of warrants is to be calculated by

dividing the Canadian dollar equivalent of \$2,900,000 (on November 8, 2005) by the final price at which a share of our stock is sold in an initial public offering and multiplying the result by 0.15. The warrants were exercisable on or before November 8, 2007, provided that we completed an offering of our common stock on or before May 8, 2006. Since we did not complete an offering by May 8, 2006, the warrants expired on May 8, 2006, and we issued a new warrant certificate to Nedbank Limited for the purchase of 743,590 shares of our common stock at an exercise price of \$0.88 per share, being the amount equal to the average closing price of our common stock as quoted on the Pink Sheets LLC for the 20 trading days prior to May 8, 2006. The new warrants expire on May 8, 2008. We issued these securities to Nedbank Limited, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- Effective November 28, 2005, we issued the following stock options to Eric Ivey, the general manager of Johnson Camp Mine: 250,000 options exercisable at \$0.20 per share; and 250,000 options exercisable at \$0.50 per share. These options will expire on November 28, 2008. We issued these securities to Mr. Ivey, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- In January 2006 we issued an aggregate of 2,675,000 shares of common stock for total proceeds of \$53,500, upon the exercise of stock options at an exercise price of \$0.02 per share by Ronald Hirsch, our Chairman and formerly our Chief Executive Officer, Erland Anderson, our Executive Vice President and Chief Operating Officer, and Stephen Seymour, one of our directors. We issued these securities relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- In February 2006, we issued 11,881 shares of common stock to settle outstanding payables of \$11,881. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On February 1, 2006, Erland A. Anderson, our Chief Operating Officer, voluntarily surrendered for cancellation stock options entitling him to purchase up to 675,000 shares of our common stock at an exercise price of \$0.02 per share, being the market price of one share of common stock on the date of grant. In exchange for such options, we granted to Mr. Anderson replacement options entitling him to purchase up to 675,000 shares of our common stock, exercisable for five years at an exercise price of \$0.50 per share. We issued these securities to Mr. Anderson, an accredited investor, relying on Rule 506 of Regulation D, Section 4(2) of the Securities Act of 1933, as amended, and/or Section 3(a)(9) of the Securities Act of 1933, as amended.
- On February 8, 2006, we entered into an agreement with Walter Belous, a former independent, outside director of our company who resigned as a director of our company in December 1995, to settle certain retirement benefit claims. Under the terms of the settlement, we issued 42,500 shares of common stock, agreed to pay Mr. Belous \$8,500 in cash for retirement benefits for calendar year 2006 and reaffirmed our continuing obligation to make annual payments in the amount of \$8,500. We issued these securities to Mr. Belous, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the first quarter of 2006, we issued 60,000 shares of our common stock valued at \$31,600 to John Perry, who was then our Senior Vice President and Chief Financial Officer. During the second quarter of 2006, we issued a total of 310,000 shares of our common stock valued at \$134,800 to Mr. Perry. During the third quarter of 2006, we issued 60,000 shares of our common stock valued at \$47,000 to Mr. Perry. During the fourth quarter of 2006, we issued 60,000 fully-paid and non-assessable shares of our common stock, valued at \$64,600, to Mr. Perry. We issued these securities to Mr. Perry, an accredited investor, pursuant to his employment agreement relying on Section 4(2) of the Securities Act of 1933, as amended.

- On May 12, 2006, we issued 176,471 shares of our common stock valued at \$88,236 to Nick Tintor, who was then our President and Chief Executive Officer, pursuant to his employment agreement. We issued these securities to Mr. Tintor, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Upon execution and delivery of our Modification Agreement with Nedbank dated May 15, 2006 in relation to our bridge loan from Nedbank, we issued a total of 100,000 warrants exercisable no later than May 15, 2008, of which 75,000 were issued to Nedbank and 25,000 were issued to Auramet Trading. Each warrant will entitle the holder to purchase one share of our common stock for a period of two years, at an exercise price of \$1.00, being an amount equal to the average of the closing price of our common stock (as quoted on Pink Sheets LLC) for the twenty trading days prior to May 15, 2006. We issued these securities to Nedbank and Auramet Trading, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On May 16, 2006 we issued a total of 800,000 stock options to our four non-executive directors and 500,000 stock options to Nick Tintor, who was then our President and Chief Executive Officer, pursuant to our 2006 Stock Incentive Plan. The options granted to the non-executive directors will vest as to one-third upon approval of the 2006 Stock Incentive Plan by our stockholders (which occurred in October, 2006), as to one-third on February 15, 2007 and as to the balance on February 15, 2008. In accordance with our employment letter agreement with Mr. Tintor dated February 15, 2006, all of Mr. Tintor's stock options vested upon approval of the 2006 Plan by the stockholders. Upon vesting, the options were exercisable for a period of ten years following their date of grant at an exercise price of \$1.05 per share; provided, however, that if we effected a registered public offering of our securities of at least \$20,000,000 no later than November 1, 2006, the exercise price was to be the greater of \$1.05 and that amount that is equal to 75% of the offering price per security under such registered offering. We issued these securities to the directors, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On May 31, 2006, in connection with the advance to us of an additional \$1,000,000 by Auramet Trading (who acted through Nedbank by way of an amendment to the \$3,900,000 Nedbank bridge loan), we issued to Auramet warrants for the purchase of 250,000 shares of our common stock, exercisable for a period of two years at an exercise price of \$1.15 per share, being equal to 110% of the average closing price of the Corporation's common stock (as quoted on the Pink Sheets LLC) for the 20 trading days prior to the date of the Amended and Restated Secured Promissory Note. We issued these securities Auramet, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Certain equity-based fees have been paid to our non-executive directors in the form of awards issued pursuant to our company's 2006 Stock Incentive Plan. The non-executive directors have limited rights, exercisable within applicable time limits, to elect to have any percentage of such awards, and any percentage of cash fees, payable in deferred stock units. Each of our non-executive directors exercised such rights in respect of the equity-based fees payable to him for the current year and for the year ended December 31, 2006. Our non-executive directors earned the following additional deferred stock units during the periods indicated:

Date of Award	Director	Period Covered by Award	No. of Deferred Stock Units	Deemed Issue Price per Deferred Stock Unit
June 30, 2006	Wade Nesmith	Quarter ended June 30, 2006	22,266	\$.80
June 30, 2006	Douglas Hamilton	Quarter ended June 30, 2006	18,750	\$.80
June 30, 2006	John Cook	Quarter ended June 30, 2006	15,234	\$.80
June 30, 2006	Stephen Seymour	Quarter ended June 30, 2006	11,719	\$.80
October 2, 2006	Wade Nesmith	Quarter ended September 30, 2006	15,224	\$.78
October 2, 2006	Douglas Hamilton	Quarter ended September 30, 2006	12,821	\$.78
October 2, 2006	John Cook	Quarter ended September 30, 2006	10,417	\$.78
October 2, 2006	Stephen Seymour	Quarter ended September 30, 2006	8,013	\$.78
January 3, 2007	Wade Nesmith	Quarter ended December 31, 2006	10,417	\$1.14
January 3, 2007	Douglas Hamilton	Quarter ended December 31, 2006	8,772	\$1.14
January 3, 2007	John Cook	Quarter ended December 31, 2006	7,127	\$1.14
January 3, 2007	Stephen Seymour	Quarter ended December 31, 2006	5,482	\$1.14
April 2, 2007	Wade Nesmith	Quarter ended March 31, 2007	16,470	\$.71
April 2, 2007	Douglas Hamilton	Quarter ended March 31, 2007	14,184	\$.71
April 2, 2007	John Cook	Quarter ended March 31, 2007	11,525	\$.71
April 2, 2007	Stephen Seymour	Quarter ended March 31, 2007	8,865	\$.71

Date of Award	Director	Period Covered by Award	No. of Deferred Stock Units	Deemed Issue Price per Deferred Stock Unit
July 2, 2007	Douglas Hamilton	Quarter ended June 30, 2007	14,286	\$.70
July 2, 2007	John Cook	Quarter ended June 30, 2007	11,607	\$.70
July 2, 2007	Stephen Seymour	Quarter ended June 30, 2007	8,928	\$.70
July 2, 2007	T. Sean Harvey	Quarter ended June 30, 2007	1,885	\$.70
October 1, 2007	Douglas Hamilton	Quarter ended September 30, 2007	6,779	\$1.48
October 1, 2007	John Cook	Quarter ended September 30, 2007	5,508	\$1.48
October 1, 2007	Stephen Seymour	Quarter ended September 30, 2007	4,237	\$1.48
October 1, 2007	T. Sean Harvey	Quarter ended September 30, 2007	4,237	\$1.48

We issued these securities to the directors, each of whom is an accredited investor, on the respective Dates of Award shown, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

- Upon execution and delivery of our Modification Agreement with Nedbank dated September 30, 2006 in relation to our bridge loan from Nedbank, we issued a total of 150,000 warrants exercisable no later than September 30, 2008, of which 88,770 were issued to Nedbank and 61,230 were issued to Auramet Trading. Each warrant will entitle the holder to purchase one share of our common stock for a period of two years, at an exercise price of \$0.83 being an amount equal to the average of the closing price of our common stock (as quoted on Pink Sheets LLC) for the twenty trading days prior to September 30, 2006. We issued these securities to Nedbank and Auramet Trading, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the quarterly period ended December 31, 2006, 15,000 stock options were exercised at an exercise price of \$0.02 per share. We issued the underlying common stock pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- Subsequent to Nicholas Tintor's departure as President and Chief Executive Officer of our company on August 21, 2006, we entered into a settlement agreement with Mr. Tintor dated September 29, 2006. Under the settlement agreement, in consideration of a mutual release of claims, we paid Mr. Tintor a total of \$233,000 as follows: we paid \$70,000 in cash upon execution of the agreement, and we paid the balance of \$163,000 by issuing a total of 139,880 fully paid and non-assessable shares of common stock of our company to Mr. Tintor in January 2007. These shares were issued pursuant to Rule 903 of Regulation S under the Securities Act of 1933, as amended, and in compliance with applicable Canadian securities laws.

- In January 2007, we issued 25,651 shares of common stock to John Cook, one of our non-executive directors, in exchange for 25,651 deferred stock units. We issued these securities to Mr. Cook pursuant to section 3(a)(9) of the Securities Act of 1933, as amended.
- Upon execution and delivery of our Modification Agreement with Nedbank dated February 23, 2007 in relation to our bridge loan from Nedbank, we issued a total of 300,000 warrants exercisable no later than September 30, 2008, of which 174,000 were issued to Nedbank and 126,000 were issued to Auramet Trading. Each warrant entitles the holder to purchase one share of our common stock at an exercise price of \$0.66 being an amount equal to the average of the closing price of our common stock (as quoted on Pink Sheets LLC) for the five trading days prior to February 23, 2007. We issued these securities to Nedbank and Auramet Trading, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the first quarter of 2007, we issued 60,000 shares of our common stock valued at \$50,000 to John Perry pursuant to his employment agreement. Mr. Perry was recently appointed as our President and Chief Executive Officer, and continues to serve as our Chief Financial Officer, Secretary and Treasurer until a suitable replacement to fill those offices can be found. We issued these securities to Mr. Perry, an accredited investor, relying on Section 4(2) of the Securities Act of 1933, as amended.
- During the second quarter of 2007, we issued 40,000 shares of our common stock valued at \$30,000 to John Perry pursuant to his employment agreement. Mr. Perry was recently appointed as our President and Chief Executive Officer, and continues to serve as our Chief Financial Officer, Secretary and Treasurer until a suitable replacement to fill those offices can be found. We issued these securities to Mr. Perry, an accredited investor, relying on Section 4(2) of the Securities Act of 1933, as amended.
- On June 11, 2007 we issued a total of 900,000 stock options to our six directors, 500,000 stock options to John Perry, our Chief Executive Officer and 250,000 stock options to Erland Anderson, our Chief Operating Officer, pursuant to our 2006 Stock Incentive Plan. The options granted to the non-executive directors and officers of the company will vest as to one-third at time of grant, as to one-third on June 11, 2008 and as to the balance on June 11, 2009. The options are exercisable for a period of ten years at an exercise price of \$0.68 per share. We issued these securities to the directors, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- During the second quarter of 2007, we issued a total of 150,000 shares of common stock upon exercise of certain outstanding common stock purchase warrants at an aggregate exercise price of \$52,500. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On June 29, 2007, we issued: (a) 130,000 fully paid and non-assessable shares of common stock to Mr. Hirsch upon conversion of 50 percent of the outstanding principal and interest under a \$35,000 convertible promissory note dated June 29, 2004, at a conversion price of \$0.175 per share; (b) 212,195 fully paid and non-assessable shares of common stock to Mr. Seymour upon conversion of 50 percent of the outstanding principal and interest under a \$66,000 convertible promissory note dated August 19, 2004, at a conversion price of \$0.20 per share; (c) 337,458 fully paid and non-assessable shares of common stock to Mr. Hirsch upon conversion of 50 percent of the outstanding principal and interest under a \$106,000 convertible promissory note dated October 4, 2004, at a conversion price of \$0.20 per share. We issued these securities to accredited investors, relying on section 3(a)(9) of the Securities Act of 1933, as amended.
- On June 5, 2007, we completed an offering of 30,666,700 special warrants on June 5, 2007. The special warrants were offered and sold at a price of \$0.75 per special warrant, for aggregate gross

proceeds of approximately \$23,000,000. Each special warrant is convertible into one share of common stock and one-half of one common stock purchase warrant for no additional consideration. Each warrant, when issued, will entitle the holder to purchase one share of common stock for a period of five years following the date of closing of the private placement at a price of \$1.10 per share. A total of 3,948,800 special warrants were sold to institutional accredited investors (as defined in Rules 501(a)(1), (2), (3) and (7) of Regulation D under the Securities Act of 1933, as amended), pursuant to Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended. The balance of 26,717,900 special warrants were sold in offshore transactions to persons who are not U.S. persons (each as defined in Rule 902 of Regulation S under the Securities Act of 1933, as amended), pursuant to Rule 903 of Regulation S under the Securities Act of 1933, as amended, and in accordance with applicable local securities laws.

- In connection with the special warrants offering, we entered into an agency agreement whereby, on June 5, 2007 we issued 1,840,002 stock options to the agents entitling them to acquire one share of common stock of the company at anytime within the subsequent 24 month period at an exercise price of \$0.75. These options were issued to non-U.S. persons in an offshore transaction, pursuant to Rule 903 of Regulation S under the Securities Act of 1933, as amended, and in accordance with applicable local securities laws.
- During the third quarter of 2007, we issued a total of 60,750 shares of common stock upon exercise of certain outstanding common stock purchase warrants at an aggregate exercise price of \$21,262.50. We issued these securities to accredited investors, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended
- On July 11, 2007 we issued a total of 400,000 stock options to two of our directors, and 50,000 stock options to Erland Anderson, our Chief Operating Officer, pursuant to our 2006 Stock Incentive Plan. The options granted to the non-executive directors and officers of the Company will vest as to one-third at time of grant, as to one-third on July 11, 2008 and as to the balance on July 11, 2009. The options are exercisable for a period of ten years at an exercise price of \$0.85 per share. We issued these securities to the directors, each of whom is an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On September 18, 2007, we issued 506,410 shares of common stock to Auramet Trading upon exercise of the following warrants: 250,000 common stock purchase warrants issued in connection with a secured bridge loan by the selling stockholder in the principal amount of \$2,850,000 dated October 17, 2005, with each warrant entitling the holder to purchase one share of our common stock at an exercise price of \$0.56 per share; and (b) 256,410 common stock purchase warrants issued in connection with the secured bridge loan in the principal amount of \$2,850,000 dated October 17, 2005, with each warrant entitling the holder to purchase one share of our common stock at an exercise price of \$0.56 per share. We issued these securities to Auramet Trading, an accredited investor, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On October 4, 2007 we issued 143,000 shares of common stock to two accredited investors, as joint tenants, upon the exercise of warrants at an exercise price of \$0.40 per share, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.
- On November 8, 2007 we issued 71,429 shares of common stock to an accredited investor upon the exercise of warrants at an exercise price of \$0.40 per share, relying on Rule 506 of Regulation D and/or Section 4(2) of the Securities Act of 1933, as amended.

Exhibits

The following is a list of exhibits filed as part of this Registration Statement:

EXHIBIT NUMBER DESCRIPTION

Articles of Incorporation and By-laws

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

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

3.3 Amendment to Amended Certificate of Incorporation⁽²⁶⁾

Instruments defining the rights of security holders, including indentures

4.1 Pages from Amended and Restated Bylaws of Nord Resources Corporation defining the rights of holders of equity or debt securities⁽¹⁾

4.2 Convertible Promissory Note for \$35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated June 29, 2004⁽¹⁾

4.3 Amendment to Convertible Promissory Note dated June 29, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005⁽¹⁾

4.4 Convertible Promissory Note for \$66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated August 19, 2004⁽¹⁾

4.5 Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective September 26, 2005⁽¹⁾

4.6 Second Amendment to Convertible Promissory Note dated August 19, 2004 issued by Nord Resources Corporation to Stephen D. Seymour effective November 30, 2005⁽¹⁾

4.7 Convertible Promissory Note for \$106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated October 4, 2004⁽¹⁾

4.8 Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective September 26, 2005⁽¹⁾

4.9 Second Amendment to Convertible Promissory Note dated October 4, 2004 issued by Nord Resources Corporation to Ronald A. Hirsch effective November 30, 2005⁽¹⁾

4.10 Revolving Line of Credit Agreement, between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005⁽¹⁾

4.11 Security Agreement between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005⁽¹⁾

4.12 Secured Promissory Note (\$600,000) between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated June 21, 2005⁽¹⁾

4.13 Second Amended and Restated Revolving Line of Credit between Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005⁽³⁾

4.14

Amended and Restated Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC,
dated as of October 17, 2005⁽⁵⁾

II-11

- 4.15 Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated April 17, 2006⁽⁵⁾
- 4.16 Acknowledgement of Ronald A. Hirsch regarding Agreement for Credit Risk Participation dated November, 2005⁽¹⁾
- 4.17 Secured Promissory Note for \$3,900,000 issued by Nord Resources Corporation to Nedbank Limited dated November 8, 2005⁽¹⁾
- 4.18 Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing among Nord Resources Corporation , First American Title Insurance Company and Nedbank Limited dated November 8, 2005⁽¹⁾
- 4.19 Warrant Certificate issued by Nord Resources Corporation to Nedbank Limited, dated May 8, 2006⁽⁴⁾
- 4.20 Environmental Indemnity Agreement between Nord Resources Corporation and Nedbank Limited dated November, 2005⁽¹⁾
- 4.21 Subordination Agreement among Ronald A. Hirsch, Stephen D. Seymour and Nedbank Limited dated November 8, 2005⁽¹⁾
- 4.22 Letter from Nord Resources Corporation to Nedbank Limited regarding conditions subsequent, dated November 8, 2005⁽¹⁾
- 4.23 Perfection Certificate completed by Nord Resources Corporation for Nedbank Limited, dated November 8, 2005⁽¹⁾
- 4.24 Waiver Agreement and Amendment of Promissory Note between Nord Resources Corporation and Nedbank Limited, dated February 6, 2006⁽³⁾
- 4.25 Letter Agreement between Nord Resources Corporation and Nedbank Limited, dated May 5, 2006, extending the maturity date of the Secured Promissory Note dated November 8, 2005 in the principal amount of \$3,900,000, to May 15, 2006⁽⁴⁾
- 4.26 Letter Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated May 5, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005⁽⁷⁾
- 4.27 Modification Agreement between Nord Resources Corporation and Nedbank Limited, dated May 15, 2006⁽⁵⁾
- 4.28 Warrant Certificate issued by Nord Resources Corporation to Nedbank Limited, dated May 15, 2006⁽⁵⁾
- 4.29 Warrant Certificate issued by Nord Resources Corporation to Auramet Trading LLC, dated May 15, 2006⁽⁵⁾
- 4.30 Amended and Restated Secured Promissory Note, dated May 31, 2006, payable to Nedbank Limited in the principal amount of \$4,900,000⁽⁶⁾

- 4.31 First Amendment to Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated May 31, 2006, among Nord Resources Corporation, First American Title Insurance Company and Nedbank Limited⁽⁶⁾
- 4.32 Amendment to Subordination Agreement, dated May 31, 2006, made for the benefit of Nedbank Limited by Ronald Hirsch and Stephen Seymour⁽⁶⁾
- 4.33 Warrant Certificate issued by Nord Resources Corporation to Auramet Trading, LLC, dated May 31, 2006 representing 250,000 common stock purchase warrants⁽⁶⁾
- 4.34 Letter Agreement between Nord Resources Corporation Nedbank Limited and Auramet Trading, LLC dated August 8, 2006, extending the maturity date of a secured loan in the principal amount of \$4,900,000⁽⁹⁾
- 4.35 Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated August 14, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005⁽¹¹⁾
- 4.36 Amended and Restated Convertible Promissory Note for \$35,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated for reference June 29, 2004⁽¹²⁾
- 4.37 Amended and Restated Convertible Promissory Note for \$66,000 issued by Nord Resources Corporation to Stephen D. Seymour dated for reference August 19, 2004⁽¹²⁾
- 4.38 Amended and Restated Convertible Promissory Note for \$106,000 issued by Nord Resources Corporation to Ronald A. Hirsch dated for reference October 4, 2004⁽¹²⁾
- 4.39 Agreement between Nord Resources Corporation, Ronald Hirsch and Stephen Seymour, dated August 17, 2006, extending the maturity date indebtedness under the Second Amended and Restated Revolving Line of Credit Agreement, among Nord Resources Corporation and Ronald A. Hirsch and Stephen Seymour dated November 8, 2005⁽¹²⁾
- 4.40 Modification Agreement dated September 30, 2006 between Nord Resources Corporation and Nedbank Limited⁽¹³⁾
- 4.41 Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of \$66,000⁽¹⁵⁾
- 4.42 Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of \$106,000⁽¹⁵⁾
- 4.43 Amendment agreement dated September 29, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of \$35,000⁽¹⁵⁾
- 4.44 Amending agreement dated September 29, 2006 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain \$600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005⁽¹⁵⁾

- 4.45 Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference December 19, 2006 and executed on December 20, 2006⁽²⁰⁾
- 4.46 Amendment agreement dated December 22, 2006 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of \$66,000⁽²⁰⁾
- 4.47 Amendment agreement dated December 22, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of \$106,000⁽²⁰⁾
- 4.48 Amendment agreement December 22, 2006 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of \$106,000⁽²⁰⁾
- 4.49 Amending agreement dated December 22, 2006 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain \$600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005⁽²⁰⁾
- 4.50 Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference January 11, 2007⁽²¹⁾
- 4.51 Amendment agreement dated January 15, 2007 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of \$66,000⁽²¹⁾
- 4.52 Amendment agreement dated January 15, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of \$106,000⁽²¹⁾
- 4.53 Amendment agreement dated January 15, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of \$35,000⁽²¹⁾
- 4.54 Amending agreement dated January 15, 2007 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain \$600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005⁽²¹⁾
- 4.55 Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference January 30, 2007⁽²²⁾
- 4.56 Amendment agreement dated January 31, 2007 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of \$66,000⁽²²⁾
- 4.57 Amendment agreement dated January 31, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of \$106,000⁽²²⁾

- 4.58 Amendment agreement dated January 31, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of \$35,000⁽²²⁾
- 4.59 Amending agreement dated January 31, 2007 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain \$600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005⁽²²⁾
- 4.60 Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference February 23, 2007⁽²³⁾
- 4.61 Modification Agreement between Nedbank Limited and Nord Resources Corporation dated for reference February 23, 2007⁽²³⁾
- 4.62 Amendment agreement dated February 23, 2007 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of \$66,000⁽²³⁾
- 4.63 Amendment agreement dated February 23, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of \$106,000⁽²³⁾
- 4.64 Amendment agreement dated February 23, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of \$35,000⁽²³⁾
- 4.65 Amending agreement dated February 23, 2007 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain \$600,000 Revolving Line of Credit Agreement and that certain Secured Promissory Note, as previously amended, each dated for reference June 21, 2005⁽²³⁾
- 4.66 Term Sheet and Agreement between Nedbank Limited and Nord Resources Corporation dated for reference April 13, 2007⁽²⁶⁾
- 4.67 Letter Agreement among Nedbank Limited, Nord Resources Corporation and Auramet Trading, LLC dated for reference April 17, 2007⁽²⁶⁾
- 4.68 Amendment Agreement dated April 30, 2007 between Nord Resources Corporation and Stephen Seymour in respect of Amended and Restated Convertible Promissory Note dated for reference August 19, 2004, in the principal amount of \$66,000⁽²⁵⁾
- 4.69 Amendment Agreement dated April 30, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference October 4, 2004, in the principal amount of \$106,000⁽²⁵⁾
- 4.70 Amendment Agreement dated April 30, 2007 between Nord Resources Corporation and Ronald Hirsch in respect of Amended and Restated Convertible Promissory Note dated for reference June 29, 2004, in the principal amount of \$35,000⁽²⁵⁾
- 4.71 Amending Agreement dated April 30, 2007 among Nord Resources Corporation, Ronald Hirsch and Stephen Seymour in respect of that certain \$600,000 Revolving Line of Credit Agreement and that certain

Secured Promissory Note, as previously amended, each dated for reference June 21, 2005⁽²⁵⁾

II-15

4.72 Special Warrant Indenture among Nord Resources Corporation, Blackmont Capital Inc. and Computershare Trust Company of Canada, as special warrant trustee, dated June 5, 2007⁽²⁷⁾

4.73 Warrant Indenture between Nord Resources Corporation and Computershare Trust Company of Canada, as warrant agent, dated June 5, 2007⁽²⁷⁾

4.74 Registration Rights Agreement among Nord Resources Corporation, Blackmont Capital Inc. and Salman Partners Inc. dated June 5, 2007⁽²⁷⁾

4.75 Agent's Option Certificate issued to Blackmont Capital Inc., dated June 5, 2007⁽²⁷⁾

4.76 Agent's Option Certificate issued to Salman Partners Inc., dated June 5, 2007⁽²⁷⁾

Opinion on Legality

5.1 Opinion of Potter Anderson & Corroon LLP⁽²⁹⁾

Material Contracts

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

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

10.3 Executive Employment Agreement between Nord Resources Corporation and Erland Anderson dated January 2, 2004⁽¹⁾

10.4 Waiver Agreement and Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated February 15, 2006⁽³⁾

10.5 Nord Resources Corporation Stock Option granted to Erland Anderson February 1, 2006⁽³⁾

10.6 Executive Employment Agreement between Nord Resources Corporation and John Perry dated April 18, 2005⁽¹⁾

10.7 Waiver Agreement between Nord Resources Corporation and John Perry dated February 15, 2006⁽³⁾

10.8 Letter Agreement between Nord Resources Corporation and Nicholas Tintor regarding employment matters dated February 15, 2006⁽³⁾

10.9 Option to Purchase the Coyote Springs property from Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC to Nord Resources Corporation dated January 28, 2004⁽¹⁾

10.10 First Amendment to Option to Purchase Coyote Springs property among Thornwell Rogers, South Branch Resources LLC, MRPGEO LLC and Nord Resources Corporation dated December 14, 2004⁽¹⁾

10.11 Second Amendment to the Terms of Agreement, Option to Purchase the Coyote Springs Property, Graham County, Arizona, between Nord Resources Corporation and

Thornwell Rogers, South Branch Resources LLC and MRPGEO LLC, dated January 27, 2006⁽³⁾

10.12 Option to Purchase the Mimbres Property from Thornwell Rogers, South Branch Resources, LLC and MRPGEO, LLC to Nord Resources Corporation dated June 10, 2004⁽¹⁾

10.13 Option Agreement between Shirley Bailey and Nord Resources Corporation dated July 19, 2004⁽¹⁾

10.14 Debt Conversion between Nord Resources Corporation and Thornwell Rogers dated April 16, 2004⁽¹⁾

10.15 Debt Conversion between Nord Resources Corporation and South Branch Resources LLC dated April 16, 2004⁽¹⁾

10.16 Debt Conversion between Nord Resources Corporation and MRPGEO, LLC dated April 16, 2004⁽¹⁾

10.17 Debt Conversion Agreement between Peifer, Hanson and Mullins P.A. and Nord Resources Corporation dated October 25, 2005⁽¹⁾

10.18 Settlement Agreement and General Release between Nord Resources Corporation and W. Pierce Carson dated April 22, 2005⁽¹⁾

10.19 Warrant Certificate issuing 250,000 warrants to W. Pierce Carson dated April 22, 2005⁽¹⁾

10.20 Warrant Amendment Agreement between Nord Resource Corporation and Pierce Carson dated October 5, 2006⁽²⁸⁾

10.21 Nord Resources Corporation form of Subscription Agreement for US Investors (2005 private placement)⁽¹⁾

10.22 Nord Resources Corporation form of Subscription Agreement for Canadian Investors (2005 private placement)⁽¹⁾

10.23 Nord Resources Corporation form of Warrant Certificate for US Purchasers (2005 private placement)⁽¹⁾

10.24 Nord Resources Corporation form of Warrant Certificate for Canadian Purchasers (2005 private placement)⁽¹⁾

10.25 Letter dated October 25, 2005, amending the terms of the 2005 private placement offering⁽¹⁾

10.26 Letter dated November 15, 2005, amending the terms of the 2005 private placement offering⁽¹⁾

10.27 Letter dated December 21, 2005, amending the terms of the 2005 private placement offering⁽¹⁾

10.28 Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine between Nord Resources Corporation and JC Rock, LLC dated December 24, 2004⁽¹⁾

- 10.29 Tenth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated July 31, 2007⁽²⁷⁾
- 10.30 Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated January 5, 2006⁽²⁷⁾
- 10.31 Confidential Settlement and Release Agreement between Nord Resources Corporation (plaintiff/counter-defendant), and Titanium Resources Group, Ltd. and Edward Wayne Malouf (defendants/counter-plaintiffs) dated August 9, 2006⁽¹⁰⁾
- 10.32 Settlement Agreement between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006⁽¹⁴⁾
- 10.33 Mutual General Release between Nord Resources Corporation and Nicholas Tintor dated September 29, 2006⁽¹⁴⁾
- 10.34 Third Amendment to the Terms of Agreement, Option to Purchase the Coyote Springs Property, Graham County, Arizona among Nord Resources Corporation, Thornwell Rogers, South Branch Resources, LLC and MRGPEO, LLC dated October 17, 2006⁽¹⁶⁾
- 10.35 Second Amendment to the Terms of Agreement, Option to Purchase the Mimbres Property, Grant County, New Mexico among Nord Resources Corporation, Thornwell Rogers, South Branch Resources, LLC and MRGPEO, LLC dated October 17, 2006⁽¹⁶⁾
- 10.36 Settlement Agreement dated October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation⁽¹⁶⁾
- 10.37 Assignment Agreement dated October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation⁽¹⁶⁾
- 10.38 Amended and Restated Waiver Agreement And Amendment of Employment Agreement between Nord Resources Corporation and Ronald Hirsch dated October 18, 2006⁽¹⁶⁾
- 10.39 Amendment of Employment Agreement between Nord Resources Corporation and Erland Anderson dated October 18, 2006⁽¹⁶⁾
- 10.40 Amendment of Executive Employment Agreement between Nord Resources Corporation and John Perry dated October 18, 2006⁽¹⁶⁾
- 10.41 Indemnification Agreement dated October 18, 2006 by Stephen Seymour, in his personal capacity, and by Stephen Seymour, Kathie Stevens and Louise Seymour, as Trustees U/A dated 7/27/82 FBO Louise Seymour, in favor of Nord Resources Corporation⁽¹⁶⁾
- 10.42 Agreement and Plan of Merger dated October 23, 2006 by and among Nord Resources Corporation, Platinum Diversified Mining, Inc., Platinum Diversified Mining USA, Inc. and PDM Merger Corp.⁽¹⁷⁾
- 10.43 Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Ronald A. Hirsch⁽¹⁷⁾
- 10.44 Voting Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and Stephen Seymour⁽¹⁷⁾

10.45 Deposit Escrow Agreement dated October 23, 2006 among Nord Resources Corp., Platinum Diversified Mining USA, Inc. and American Stock Transfer & Trust Company⁽¹⁷⁾

10.46 Letter Agreement respecting a performance bonus between Nord Resources Corporation and Ron A. Hirsch dated November 2, 2006⁽¹⁸⁾

10.47 Letter Agreement respecting a performance bonus between Nord Resources Corporation and Erland A. Anderson dated November 2, 2006⁽¹⁸⁾

10.48 Letter Agreement respecting a performance bonus between Nord Resources Corporation and John T. Perry dated November 2, 2006⁽¹⁸⁾

10.49 Amended and Restated Assignment Agreement dated as of October 18, 2006, between Nord Resources Corporation and TMD Acquisition Corporation⁽¹⁹⁾

10.50 Seventh Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated November 2, 2006⁽¹⁹⁾

10.51 Settlement Agreement dated March 7, 2007 among Nord Resources Corporation, Platinum Diversified Mining, Inc., Platinum Diversified Mining USA, Inc. and PDM Merger Corp.⁽²⁴⁾

10.52 Eighth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated January 19, 2007⁽²⁶⁾

10.53 Ninth Amendment to the Agreement for Purchase and Sale of Waste Rock from the Johnson Camp Mine dated as of April 30, 2007⁽²⁶⁾

10.54 Agency Agreement among Nord Resources Corporation, Blackmont Capital Inc. and Salman Partners Inc. dated June 5, 2007⁽²⁷⁾

10.55 Form of Subscription Agreement dated June 5, 2007 between Nord Resources Corporation and each purchaser of special warrants⁽²⁷⁾

10.57 Credit Agreement dated as of June 28, 2007 between Nord Resources Corporation, Cochise Aggregates and Materials, Inc., Nedbank Limited and the Lenders from time to time party thereto⁽²⁷⁾

Subsidiaries of the Small Business Issuer

21.1 Subsidiaries of Small Business Issuer:

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Cochise Aggregates and Materials, Inc.	Nevada

Consents of Experts and Counsel

23.1 Consent of Mayer Hoffman McCann P.C.⁽²⁹⁾

23.2 Consent of Potter Anderson & Corroon LLP. (included in Exhibit 5.1)

23.3 Consent of Dr. Michael Bikeran, Professional Geologist, of Bikeran Engineering & Technology Associates, Inc.⁽²⁹⁾

23.4 Consent of Mr. David Bikerma n, Engineer of Mines, of Bikerma n Engineering & Technology Associates, Inc.⁽²⁹⁾

23.5 Consent of Mr. Thomas McGrail, Engineer of Mines, of Bikerma n Engineering & Technology Associates, Inc.⁽²⁹⁾

23.6 Consent of Mr. Dale Deming, Professional Engineer of Dale A. Deming, P.E. (sole proprietorship).⁽²⁹⁾

Power of Attorney

24.1 Power of Attorney (included on Signature page)

Additional Exhibits

99.1 Nord Resources Corporation 2006 Stock Incentive Plan⁽⁸⁾

99.2 Nord Resources Corporation Performance Incentive Plan for the period from July 1, 2007 to December 31, 2008⁽²⁷⁾

Notes

- (1) Incorporated by reference from our annual report on Form 10-KSB for the year ended December 31, 2004, filed with the SEC on January 17, 2006.
- (2) Incorporated by reference from our current report on Form 8-K dated February 15, 2006, filed with the SEC on February 16, 2006.
- (3) Incorporated by reference from our annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on March 28, 2006.
- (4) Incorporated by reference from our current report on Form 8-K, filed with the SEC on May 11, 2006.
- (5) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended March 31, 2006, filed with the SEC on May 15, 2006.
- (6) Incorporated by reference from our current report on Form 8-K, filed with the SEC on May 31, 2006.
- (7) Incorporated by reference from Amendment No. 1 to our annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on June 30, 2006.
- (8) Incorporated by reference from Amendment No. 1 to our preliminary proxy statement on Schedule 14A, filed with the SEC on March 27, 2006.
- (9) Incorporated by reference from our current report on Form 8-K, filed with the SEC on August 8, 2006.
- (10) Incorporated by reference from our current report on Form 8-K, filed with the SEC on August 14, 2006.
- (11) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended June 30, 2006, filed with the SEC on August 14, 2006.

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- (12) Incorporated by reference from Amendment No. 3 to our annual report on Form 10-KSB for the year ended December 31, 2005, filed with the SEC on August 23, 2006.
- (13) Incorporated by reference from our current report on Form 8-K, filed with the SEC on September 28, 2006.
- (14) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 2, 2006.
- (15) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 4, 2006.
- (16) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 23, 2006.
- (17) Incorporated by reference from our current report on Form 8-K, filed with the SEC on October 25, 2006.
- (18) Incorporated by reference from our current report on Form 8-K, filed with the SEC on November 7, 2006.
- (19) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended September 30, 2006, filed with the SEC on November 13, 2006.
- (20) Incorporated by reference from our current report on Form 8-K, filed with the SEC on December 26, 2006.
- (21) Incorporated by reference from our current report on Form 8-K, filed with the SEC on January 16, 2007.
- (22) Incorporated by reference from our current report on Form 8-K, filed with the SEC on February 5, 2007.
- (23) Incorporated by reference from our current report on Form 8-K, filed with the SEC on February 26, 2007.
- (24) Incorporated by reference from our annual report on Form 10-KSB for the year ended December 31, 2006, filed with the SEC on March 28, 2007.
- (25) Incorporated by reference from our current report on Form 8-K, filed with the SEC on February 26, 2007.
- (26) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended March 31, 2007, filed with the SEC on May 9, 2007.
- (27) Incorporated by reference from our quarterly report on Form 10-QSB for the quarter ended June 30, 2007, filed with the SEC on August 14, 2007.
- (28) Incorporated by reference from our Form SB-2, filed with the SEC on October 19, 2007.
- (29) Filed herewith.

Undertakings

- (a) The undersigned registrant hereby undertakes:
- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement to:
 - (i) include any prospectus required by Section 10(a)(3) of the Securities Act of 1933, as amended;
 - (ii) reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information set forth in this registration statement; provided that any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement.
 - (iii) include any material information with respect to the plan of distribution,

- (iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned small business issuer or its securities provided by or on behalf of the undersigned small business issuer; and
- (iv) Any other communication that is an offer in the offering made by the undersigned small business issuer to the purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to our directors, officers and controlling persons pursuant to the provisions above, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by one of our directors, officers, or controlling persons in the successful defense of any action, suit or proceeding, is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification is against public policy as expressed in the Securities Act of 1933, as amended, and we will be governed by the final adjudication of such issue.

(c) The undersigned registrant further undertakes:

- (1) That, for determining any liability under the Securities Act of 1933, as amended, the undersigned small business issuer will treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the small business issuer under Rule 424(b)(1), or (4) or 497(h) under the Securities Act of 1933, as amended, as part of this registration statement as of the time the Commission declared it effective; and
- (2) That, for determining any liability under the Securities Act of 1933, as amended, the undersigned small business issuer will treat each post-effective amendment that contains a form of prospectus as a new registration statement as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements of filing on Form SB-2 and authorized registration statement to be signed on its behalf by the undersigned, in the City of Tucson, Arizona, on November 26, 2007 .

Nord Resources Corporation

By: */s/ John T. Perry*
John T. Perry
Director, President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and
Principal Financial and Accounting Officer)

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints John T. Perry as his attorney-in-fact and agent, with the full power of substitution and re-substitution and full power to act without the other, for them in any and all capacities, to sign any and all amendments, including post-effective amendments, and any registration statement relating to the same offering as this registration that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, to this registration statement, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ John T. Perry November 26, 2007
John T. Perry
Director, President, Chief Executive Officer and
Chief Financial Officer
(Principal Executive Officer and Principal Financial
and Accounting Officer)

/s/ Ronald A. Hirsch November 26, 2007
Ronald A. Hirsch
Chairman of the Board

/s/ Stephen Seymour November 26, 2007
Stephen Seymour
Director

/s/ Douglas Hamilton November 26, 2007
Douglas Hamilton
Director

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/s/ John F. Cook
John F. Cook
Director

November 26, 2007

/s/ T. Sean Harvey
T. Sean Harvey
Director

November 26, 2007
