

NORD RESOURCES CORP
Form 10-Q
May 14, 2012

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

FORM 10-Q

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

For the quarterly period ended **March 31, 2012**

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

For the transition period from _____ to _____

Commission File Number: **1-08733**

NORD RESOURCES CORPORATION

(Exact name of small business issuer as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

85-0212139

(I.R.S. Employer Identification No.)

One West Wetmore Road, Suite 203

Tucson, Arizona

(Address of principal executive offices)

85705

(Zip Code)

(520) 292-0266

Issuer's telephone number

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, non-accelerated filer,

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and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

112,488,604 shares of common stock as of March 31, 2012.

NORD RESOURCES CORPORATION

**Quarterly Report On Form 10-Q
For The Quarterly Period Ended
March 31, 2012**

INDEX

| | | |
|-------------------|--|------------|
| <u>PART I</u> | <u>FINANCIAL INFORMATION</u> | <u>iii</u> |
| <u>Item 1.</u> | <u>Financial Statements</u> | <u>iii</u> |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis</u> | <u>1</u> |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | <u>9</u> |
| <u>Item 4.</u> | <u>Controls and Procedures</u> | <u>9</u> |
| <u>PART II</u> | <u>OTHER INFORMATION</u> | <u>10</u> |
| <u>Item 1.</u> | <u>Legal Proceedings</u> | <u>10</u> |
| <u>Item 1A.</u> | <u>Risk Factors</u> | <u>10</u> |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | <u>10</u> |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | <u>11</u> |
| <u>Item 4.</u> | <u>Mine Safety Disclosures</u> | <u>11</u> |
| <u>Item 5.</u> | <u>Other Information</u> | <u>11</u> |
| <u>Item 6.</u> | <u>Exhibits</u> | <u>11</u> |
| <u>SIGNATURES</u> | | <u>15</u> |

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this quarterly report include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve risks and uncertainties regarding our ability to restructure our existing secured credit facility, the market price of copper, availability of funds, government regulations, permitting, common share prices, operating costs, capital costs, outcomes of ore reserve development, recoveries and other factors. Forward-looking statements are made, without limitation, in relation to operating plans, property exploration and development, availability of funds, environmental reclamation, operating costs and permit acquisition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue" terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined in our annual report on Form 10-K for the year ended December 31, 2011, this quarterly report on Form 10-Q, and, from time to time, in other reports that we file with the Securities and Exchange Commission (the "SEC"). These factors may cause our actual results to differ materially from any forward-looking statement. Given these uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

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

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

| | Page |
|---|-------------|
| <u>Condensed Consolidated Balance Sheets as of March 31, 2012 (unaudited) and December 31, 2011</u> | <u>F-1</u> |
| <u>Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011</u> | <u>F-3</u> |
| <u>Unaudited Condensed Consolidated Statement of Changes in Stockholders' Deficit for the three months ended March 31, 2012</u> | <u>F-4</u> |
| <u>Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011</u> | <u>F-5</u> |
| <u>Unaudited Notes to Condensed Consolidated Financial Statements</u> | <u>F-7</u> |

It is the opinion of management that the interim condensed consolidated financial statements for the three months ended March 31, 2012 and 2011 include all adjustments necessary in order to ensure that the condensed consolidated financial statements are not misleading. These condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. Except where noted, these interim condensed consolidated financial statements follow the same accounting policies and methods of their application as our Company's audited annual consolidated financial statements for the year ended December 31, 2011. All adjustments are of a normal recurring nature. These interim condensed consolidated financial statements should be read in conjunction with our Company's audited annual consolidated financial statements as of and for the year ended December 31, 2011.

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2012 AND DECEMBER 31, 2011

| | March 31, | December 31, |
|---|----------------------|----------------------|
| | 2012 | 2011 |
| | (Unaudited) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ - | \$ 118,058 |
| Accounts receivable | 212,810 | 345,382 |
| Inventories | 3,251,506 | 3,763,892 |
| Prepaid expenses and other assets | 149,146 | 159,986 |
| Total Current Assets | 3,613,462 | 4,387,318 |
| Property and Equipment, at cost: | | |
| Property and equipment | 50,597,099 | 50,518,198 |
| Less accumulated depreciation, depletion and amortization | (6,444,488) | (6,313,728) |
| Net Property and Equipment | 44,152,611 | 44,204,470 |
| Other Assets: | | |
| Deposits | 146,079 | 146,079 |
| Restricted marketable securities | 686,476 | 686,476 |
| Debt issuance costs, net of accumulated amortization | 282,192 | 368,684 |
| Stockpiles and ore on leach pads | 5,934,083 | 6,347,012 |
| Total Other Assets | 7,048,830 | 7,548,251 |
| Total Assets | \$ 54,814,903 | \$ 56,140,039 |

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS
MARCH 31, 2012 AND DECEMBER 31, 2011
(Continued)

| | March 31, 2012 (Unaudited) | December 31, 2011 |
|--|----------------------------------|----------------------|
| LIABILITIES AND STOCKHOLDERS DEFICIT | | |
| Current Liabilities: | | |
| Accounts payable | \$ 4,389,063 | \$ 4,163,041 |
| Accrued expenses | 1,413,503 | 1,316,074 |
| Accrued interest | 5,686,544 | 4,933,337 |
| Copper derivatives settlement payable | 16,106,691 | 16,106,691 |
| Current maturity of long-term debt | 6,185,999 | 6,190,999 |
| Current maturities of senior long-term debt | 23,257,826 | 21,481,183 |
| Current maturities of derivative contracts, at fair value | 26,215 | 54,896 |
| Senior long-term debt accelerated due to default | - | 1,776,643 |
| Other current liabilities | 152,652 | 147,634 |
| Total Current Liabilities | 57,218,493 | 56,170,498 |
| Long-Term Liabilities: | | |
| Deferred revenue, less current portion | 4,638,649 | 4,646,868 |
| Accrued reclamation costs | 3,294,736 | 3,195,497 |
| Other long-term liabilities | 6,135 | 14,635 |
| Total Long-Term Liabilities | 7,939,520 | 7,857,000 |
| Total Liabilities | 65,158,013 | 64,027,498 |
| Commitments and contingencies | | |
| Stockholders Deficit: | | |
| Common stock: \$.01 par value, 400,000,000 shares authorized, 112,488,604 and 112,177,627 shares issued and outstanding as of March 31, 2012 and December 31, 2011, respectively | 1,124,887 | 1,121,777 |
| Additional paid in capital | 122,182,373 | 122,133,246 |
| Accumulated deficit | (133,650,370) | (131,142,482) |
| Total Stockholders Deficit | (10,343,110) | (7,887,459) |
| Total Liabilities and Stockholders Deficit | \$ 54,814,903 | \$ 56,140,039 |
| The accompanying notes are an integral part of these condensed consolidated financial statements. | | |

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(Unaudited)

| | 2012 | 2011 |
|--|----------------|----------------|
| Net sales | \$ 2,378,014 | \$ 4,753,344 |
| Costs applicable to sales (exclusive of depreciation, depletion and amortization shown separately below) | 3,368,426 | 4,382,805 |
| General and administrative expenses (includes stock based compensation of \$52,237 and \$82,199, respectively) | 398,962 | 517,833 |
| Depreciation, depletion and amortization | 212,271 | 259,304 |
| Loss from operations | (1,601,645) | (406,598) |
| Other income (expense): | | |
| Interest expense | (950,356) | (889,208) |
| Gains (losses) on derivatives classified as trading securities | 28,681 | (1,004,678) |
| Miscellaneous income | 15,432 | 23,104 |
| Total other income (expense) | (906,243) | (1,870,782) |
| Loss before income taxes | (2,507,888) | (2,277,380) |
| Provision for income taxes | - | - |
| Net loss | \$ (2,507,888) | \$ (2,277,380) |
| Net loss per basic and diluted share of common stock: | | |
| Weighted average number of basic and diluted common shares outstanding | 114,320,260 | 113,310,388 |
| Basic and diluted loss per share of common stock | \$ (0.02) | \$ (0.02) |

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENT OF
CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2012
(Unaudited)

| | Common Stock | | Additional | Accumulated | Total |
|--|---------------------|---------------|-------------------|--------------------|---------------------|
| | Shares | Amount | Paid-in | Deficit | Stockholders |
| | | | Capital | | Deficit |
| Balance at December 31, 2011 | 112,177,627 | \$ 1,121,777 | \$ 122,133,246 | \$ (131,142,482) | \$ (7,887,459) |
| Net loss | - | - | - | (2,507,888) | (2,507,888) |
| Compensation expense from issuance of stock options | - | - | 25,987 | - | 25,987 |
| Common stock issued for deferred stock units | 310,977 | 3,110 | (3,110) | - | - |
| Compensation expense from issuance of deferred stock units | - | - | 26,250 | - | 26,250 |
| Balance at March 31, 2012 | 112,488,604 | \$ 1,124,887 | \$ 122,182,373 | \$ (133,650,370) | \$ (10,343,110) |

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

NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011
(Unaudited)

| | 2012 | 2011 |
|--|----------------|----------------|
| Cash Flows From Operating Activities: | | |
| Net loss | \$ (2,507,888) | \$ (2,277,380) |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | |
| Depreciation, depletion and amortization | 212,271 | 259,304 |
| Accretion expense on accrued reclamation costs | 99,239 | 114,784 |
| Amortization of debt issuance costs | 86,492 | 86,493 |
| Issuance of stock options for services rendered | 25,987 | 55,949 |
| Issuance of deferred stock units for services rendered | 26,250 | 26,250 |
| Unrealized gain on derivatives classified as trading securities | (28,681) | (1,538,242) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 132,572 | 419,389 |
| Inventories, stockpiles and ore on leach pads | 843,804 | 1,222,659 |
| Prepaid expenses and other assets | 10,840 | (53,876) |
| Accounts payable | 161,844 | 19,049 |
| Accrued expenses | 97,429 | 32,013 |
| Accrued interest | 753,207 | 276,027 |
| Copper derivatives settlement payable | - | 2,157,739 |
| Deferred revenue | (8,230) | (14,283) |
| Other liabilities | (8,500) | (8,631) |
| Net Cash Flows from Operating Activities | (103,364) | 777,244 |
| Cash Flows From Investing Activities: | | |
| Capital expenditures | (14,723) | (303,568) |
| Net Cash Flows from Investing Activities | (14,723) | (303,568) |
| Cash Flows From Financing Activities: | | |
| Principal payments on long-term debt | (5,000) | (151,068) |
| Borrowings (principal payments) on capital lease | 5,029 | (4,201) |
| Net Cash Flows from Financing Activities | 29 | (155,269) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (118,058) | 318,407 |
| Cash and Cash Equivalents at Beginning of Period | 118,058 | 1,120,023 |
| Cash and Cash Equivalents at End of Period | \$ - | \$ 1,438,430 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 94,029 | \$ 503,120 |
| Income taxes | - | - |

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

**NORD RESOURCES CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011**

(Unaudited)

(Continued)

| | 2012 | 2011 |
|---|-------------|-------------|
| Supplemental Disclosure of Non-cash Investing and Financing Activities: | | |
| Common stock issued in exchange for deferred stock units | \$ 3,110 | \$ 2,804 |
| Common stock issued for settlement of accounts payable | - | 11,538 |
| Change in property and equipment financed by accounts payable | 64,178 | 37,711 |
| Change in depreciation allocated to inventory | (81,511) | (129,213) |
| Change in estimate of cash flows for asset retirement obligation | - | (1,403,363) |

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

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

1. FINANCIAL STATEMENTS

Nord Resources Corporation and Subsidiary (the Company) is a United States based corporation involved in all phases of the mining business including exploration, permitting, developing and operating mining projects. The Company's primary asset is the Johnson Camp Copper Mine (Johnson Camp Mine) located in Arizona. In July 2007, the Company commenced the reactivation of the Johnson Camp Mine. The Company commenced copper cathode production from leaching existing old dumps in January 2008 and commenced mining of new ore upon completion of the reactivation work in January 2009. The Company achieved commercial copper cathode production from newly-mined ore on April 1, 2009 following substantial completion of the testing and development phase. In July 2010, the Company suspended the mining and crushing of new ore and implemented an action plan aimed at improving operating efficiencies. The current production of copper is the result of leaching copper previously placed on the heaps.

The accompanying financial information of the Company is prepared in accordance with the rules prescribed for filing condensed interim financial statements and, accordingly, does not include all disclosures that may be necessary for complete financial statements prepared in accordance with U.S. generally accepted accounting principles. The disclosures presented are sufficient, in management's opinion, to make the interim information presented not misleading. All adjustments, consisting of normal recurring adjustments which are necessary so as to make the interim information not misleading, have been made. Results of operations for the three months ended March 31, 2012 are not necessarily indicative of results of operations that may be expected for the year ending December 31, 2012. The Company recommends that this financial information be read in conjunction with the complete consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, previously filed with the Securities and Exchange Commission (the SEC).

2. BASIS OF PRESENTATION

The accompanying condensed 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 condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Going Concern

Nedbank, the Company's senior lender, has declined to extend the forbearance agreement with respect to the scheduled principal and interest payments that were due between March 31, 2010 and March 31, 2012 under the Company's \$25,000,000 secured term-loan credit facility. Accordingly, the Company has been in default of its obligations under the Credit Agreement with Nedbank since May 14, 2010. The full amount of the outstanding principal and accrued and unpaid interest is included in the Company's current liabilities, together with any additional amounts payable under the Credit Agreement. As of the date of these condensed consolidated financial statements, Nedbank has not exercised its rights under the Credit

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

Agreement to provide notification of the Company's default condition or commence foreclosure actions on the collateral held, which represents substantially all of the assets of the Company.

Nedbank Capital has also declined to extend the forbearance agreement regarding the Company's failure to make the timely monthly settlement payments beginning in March of 2010 through December 31, 2011 under the copper hedge agreement. As of March 31, 2012, the amount due to Nedbank Capital related to these settlements is \$16,106,691 and is included in current liabilities within the copper derivatives settlement payable line item.

The Company's continuation as a going concern is dependent upon its ability to refinance the obligations under the Credit Agreement with Nedbank and the Copper Hedge Agreement with Nedbank Capital, thus curing the current state of default under the respective agreements, raise additional capital, and on its ability to produce copper to sell at a level where the Company becomes profitable and generates cash flows from operations. The Company's continued existence is dependent upon its ability to resume full operations and achieve its operating plan. If management cannot achieve its operating plan because of sales shortfalls, a reduction in copper prices, or other unfavorable events, the Company may find it necessary to dispose of assets, or undertake other actions as may be appropriate. The Company's ramp-up of production since the commencement of commercial production has been slower than originally forecasted. In July 2010, the Company implemented measures to reduce costs, maximize cash flow, and improve efficiencies. The Company immediately suspended the mining and crushing of ore. In addition, the Company initiated additional drilling, metallurgical testing and assaying to enhance the understanding of mineralogy and the distribution of acid-soluble grades in the block model; and, updating the mine plan to optimize production and increase operating efficiencies.

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

Use of Estimates

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

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

During the quarter ended March 31, 2011, the Company revised the cost estimates to reclaim the Johnson Camp Mine at the end of the mine's life to approximately \$9,100,000 (based upon 2011 dollars), thus decreasing the asset retirement obligation and related accrued reclamation liability by \$1,403,363. The changes made were based on results of an independent third party and have a material impact on the current and/or future consolidated financial statements as of March 31, 2011. However, this estimate was subsequently revised during the quarter ended June 30, 2011, based upon the results of independent third party estimates commissioned, to approximately \$10,100,000 (based upon 2011 dollars), thus increasing the asset retirement obligation and related accrued reclamation liability by \$290,592. The net effect of these estimate revisions was to decrease the asset retirement obligation and related accrued reclamation liability by \$1,112,771.

The Company is currently in the process of revising its estimate of the proven and probable reserves at the Johnson Camp Mine. Upon the Company's purchase of the Johnson Camp Mine in 1999, pursuant to the accounting standards and market conditions in place at the time, the Company allocated 100% of the purchase price to the property and equipment and, as such, nothing was allocated to proven and probable reserves. Accordingly, a revision to this estimate, if and when it occurs, is not expected to have a material impact on the Company's condensed consolidated financial statements. Furthermore, under current market conditions, the Company does not believe that a revision will trigger an impairment analysis for its long lived assets. A revision to the estimate of proven and probable reserves, when and if it occurs, will be accounted for on a prospective basis and will impact those items that are amortized via the units of production method; specifically property and equipment and deferred revenue.

3. ADOPTION OF RECENTLY ISSUED ACCOUNTING GUIDANCE

There were no material changes to the Company's significant accounting policies disclosed in Note 2 to the Company's Audited Consolidated Financial Statements included in its Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 29, 2012.

4. INVENTORY

Inventory is as follows:

| | March 31, 2012 | December 31, 2011 |
|----------------------------------|---------------------------|------------------------------|
| Current Assets: | (unaudited) | |
| Copper in process | \$ 2,712,657 | \$ 3,170,759 |
| Finished goods | 54,095 | 37,361 |
| Material and supplies | 484,754 | 555,772 |
| | 3,251,506 | 3,763,892 |
| Long-Term Assets: | | |
| Stockpiles and ore on leach pads | 5,934,083 | 6,347,012 |
| Total Inventory | \$ 9,185,589 | \$ 10,110,904 |

The Company's inventories are carried at the lower of average cost or net realizable value. Copper in process and finished goods inventories are valued using the average cost of production and include all costs of purchase, conversion costs (direct costs and an allocation of fixed and variable production overheads) and other costs incurred in bringing the inventories to their present location and condition. The Company

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

considers only those costs that are consistent with its estimate of costs to be incurred at a normalized production level, currently estimated at 25,000,000 pounds per annum, as inventoriable costs. Costs incurred in excess of this standard are expensed as incurred as abnormal costs which are included in costs applicable to sales within the condensed consolidated statement of operations. Accordingly, during the three month periods ended March 31, 2012 and 2011, the Company expensed \$2,461,415 and \$2,874,185, respectively, of abnormal production costs due to the underutilization of plant capacity.

The current portion of copper in process inventory is determined based on the expected amounts to be processed within the next 12 months. Inventories not expected to be processed within the next 12 months are classified under long term assets as stockpiles and ore on leach pads.

5. PROPERTY AND EQUIPMENT

Property and equipment costs consist of the following:

| | March 31, 2012 | December 31, 2011 |
|--|---------------------------|------------------------------|
| | (unaudited) | |
| Land | \$ 87,114 | \$ 87,114 |
| Buildings | 2,071,618 | 2,071,618 |
| Mine development costs existing dumps | 468,034 | 468,034 |
| Mine development costs new dumps | 1,841,080 | 1,841,080 |
| Asset retirement obligation | 2,708,870 | 2,708,870 |
| Mining and other equipment | 43,420,383 | 43,341,482 |
| Total | 50,597,099 | 50,518,198 |
| Accumulated depreciation, depletion and amortization | (6,444,488) | (6,313,728) |
| Net property and equipment | \$ 44,152,611 | \$ 44,204,470 |

Total depreciation, depletion and amortization (DD&A) of property and equipment charged to operations was \$212,271 and \$259,304 for the three month periods ended March 31, 2012 and 2011, respectively. The Company allocates DD&A to copper inventories based upon the relative pounds in inventory at each reporting date. Accordingly, as of March 31, 2012 and December 31, 2011, \$842,112 and \$923,129, respectively, of DD&A costs were included in copper inventories.

6. LONG-TERM DEBT

Long term debt consists of the following:

| | March 31, 2012 | December 31, 2011 |
|--|---------------------------|------------------------------|
| | (unaudited) | |
| Senior project financing facility | \$ 23,257,826 | \$ 23,257,826 |
| Less current maturities on senior facility | (23,257,826) | (21,481,183) |
| Less long-term portion of senior facility accelerated due to default | | (1,776,643) |
| Total long-term debt | \$ | \$ |

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

Senior Project Financing Facility

The Company was unable to make the quarterly payments of principal in the amounts of \$1,790,099 that were due between March 31, 2010 and March 31, 2012, respectively, and interest payments during the same period totaling \$5,305,849 to Nedbank under the terms of the amended and restated Credit Agreement dated March 31, 2009. The Company is in default of its obligations under the Credit Agreement with Nedbank, and the full amount of the outstanding principal of \$23,257,826 is included in the Company's current liabilities. Given this default, Nedbank has full authority to exercise its rights under the Credit Agreement, including the acceleration of the full amount due thereunder and the institution of foreclosure proceedings against the Johnson Camp Mine. In accordance with the Credit Agreement, upon an event of default the interest rate on the outstanding debt and unpaid accrued interest is increased by 3.00% to the three-month United States Dollar London Interbank Offered Rate (LIBOR) plus 9.06% (9.53% at March 31, 2012). Accrued interest related to the Credit Agreement was \$5,305,849 and \$4,621,153 as of March 31, 2012 and December 31, 2011, respectively, and is included within accrued interest on the consolidated balance sheets.

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

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

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

Note Payable with Mining Contractor

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

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

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

During the quarters ended March 31, 2012 and 2011, the Company made principal payments on the Note totaling \$5,000 and \$151,068, respectively. During the quarters ended March 31, 2012 and 2011, interest payments of \$94,029 and \$88,358, respectively, were made in accordance with the Agreement. As of March 31, 2012, the total principal balance on the Note of \$6,185,999 is included in current liabilities. There was no accrued interest related to the Note as of March 31, 2012, respectively.

7. DEFERRED REVENUE

On March 31, 2009, the Company sold to Royal Gold (formerly known as IRC Nevada Inc.) a 2.5% net smelter royalty on the mineral production sold from the existing mineral rights at Johnson Camp. The net proceeds of the sale in the amount of \$4,950,000 were recorded as deferred revenue and are being amortized to revenue over the life of the mine based on a units of production method. Amounts payable to Royal Gold, which are being calculated based on the revenue generated from the sale of copper, are expensed in the period incurred. During the three month periods ended March 31, 2012 and 2011, the Company recognized \$8,250 and \$14,283, respectively, in revenue and recorded \$59,245 and \$118,477, respectively, in royalty expense related to this royalty within the condensed consolidated statements of operations. Total deferred revenue is \$4,676,810 and \$4,685,060 as of March 31, 2012 and December 31, 2011, respectively. Deferred revenue of \$38,161 is expected to be amortized to revenue over the next twelve months. As of March 31, 2012 and December 31, 2011, the total amount owed by the Company under the terms of the royalty agreement was \$1,206,000 and \$1,161,755, respectively, and is included in accounts payable on the condensed consolidated balance sheets. Furthermore, amounts greater than 30 days past due accrue interest at a rate of 12% per annum for which the Company has accrued \$257,447 and \$225,793 of interest as of March 31, 2012 and December 31, 2011, respectively, which is included within accrued interest on the condensed consolidated balance sheets.

8. ACCRUED RECLAMATION COSTS

The Company estimates its asset retirement obligations and related accrued reclamation costs using an expected cash flow approach, in which multiple cash flow scenarios are used to reflect a range of possible outcomes. During 2010, the Company completed an updated review of its reclamation plan and the related estimated costs of reclamation. As a result, as of December 31, 2010, the Company estimated the aggregate undiscounted obligation to be approximately \$13,000,000 for the Johnson Camp Mine. However, as of March 31, 2011, the Company determined that certain aspects of the reclamation plan could be revised thus decreasing the estimated costs to reclaim the Johnson Camp Mine to approximately \$9,100,000 (based on 2011 dollars). This estimate was subsequently refined during the quarter ended June 30, 2011 to \$10,100,000. Accordingly, these cash flow revisions were effected in the estimated fair value of the asset retirement obligation as revised in the second quarter ended June 30, 2011 which decreased the obligation by a net amount of \$1,112,771 from the amount recorded at December 31, 2010.

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

To calculate the estimated fair value of this obligation, the projected cash flows, which were further adjusted for an estimated inflation rate of 2.5% per annum, were discounted at the Company's estimated annual credit-adjusted risk free interest rate of 12.53% at April 1, 2011. The estimated remaining life of the Johnson Camp Mine as of March 31, 2012 is approximately twelve years. Accordingly, the cash expenditures for reclamation and closure activities are expected to occur at the conclusion of production, currently anticipated to be in 2023-2024. As 100% of the cash flows are projected to occur in 2023-2024, 100% of the accrued reclamation costs are classified as long-term within the condensed consolidated balance sheets. A reconciliation of the beginning and ending carrying amounts of the Company's asset retirement obligation for the three months ended March 31, 2012 and year ended December 31, 2011, respectively, are as follows:

| | March 31, 2012 (unaudited) | December 31, 2011 |
|--|---|------------------------------|
| Accrued reclamation costs, beginning of period | \$ 3,195,497 | \$ 3,932,966 |
| Accretion expense | 99,239 | 375,302 |
| Revisions to cash flow estimates | | (1,112,771) |
| Accrued reclamation costs, end of period | \$ 3,294,736 | \$ 3,195,497 |

9. DERIVATIVE INSTRUMENTS

Copper Price Protection Program

In connection with the Credit Agreement dated June 28, 2007 with Nedbank, the Company agreed to implement a price protection program with respect to a specified percentage of copper output from the Johnson Camp Mine. The price protection program consisted of financial derivatives whereby the Company entered into a combination of forward sale and call option contracts for copper quantities based on a portion of the estimated production from the Johnson Camp Mine during the term of the loan. These financial derivatives did not require the physical delivery of copper cathode and were expected to be net cash settled upon maturity and/or settlement of the contracts based upon the average daily London Metal Exchange (LME) cash settlement copper price for the month of settlement. As of December 31, 2011, all of the copper derivative contracts had matured and the outstanding amount due to the settlement of the contracts was recorded in copper derivatives settlement payable on the consolidated balance sheets.

Prior to maturity, these contracts were carried on the consolidated balance sheets at their estimated fair value. As mentioned above, as of December 31, 2011, all of the copper forward and call option contracts have matured.

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

Effective April 1, 2010, the Company no longer classified its copper derivatives as cash flow hedges. Accordingly, during the three month period ended March 31, 2011 the Company recognized a realized loss of (\$2,542,920) on the monthly settlements of a total of 1,322,774 notional pounds of copper for the derivatives now classified as trading securities. The Company also recognized an unrealized gain of \$1,486,544, which includes the counterparty credit valuation adjustment of \$252,988, related to the mark to market adjustment for the estimated change in market value of the copper derivatives classified as trading securities that occurred during the three month period ended March 31, 2011.

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

Interest Rate Swap

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

This interest rate swap agreement is carried on the condensed consolidated balance sheets at fair value which was estimated at (\$26,215) and (\$54,896) as of March 31, 2012 and December 31, 2011, respectively. Until July 1, 2010, this contract was designated as a cash flow hedge with changes in fair value reflected in accumulated other comprehensive income (loss). As noted above, the Company continues to be in default on the Nedbank Credit Facility as it failed to make the requisite debt service payments for the period from March 31, 2010 to March 31, 2012. Accordingly, given that the Company is not performing under the terms of the underlying Nedbank Credit Facility, effective July 1, 2010, the Company de-designated 100% of the interest rate swap previously classified as a cash-flow hedge and reclassified the estimated fair value of the interest rate swap from accumulated other comprehensive income (loss) to other income (expense), recognizing an unrealized loss for the amount.

During the three month periods ended March 31, 2012 and 2011, the Company recognized \$24,893 and \$65,767, respectively, in interest expense related to the quarterly settlements of the interest rate swap. During the three month periods ended March 31, 2012 and 2011, the Company recognized an unrealized gain of \$28,681 and \$51,698, respectively, related to changes in the estimated fair value of the interest rate swap.

As of March 31, 2012, the estimated fair value of the interest rate swap includes a counterparty credit valuation adjustment of \$668 which is reported in losses on derivatives classified as trading securities within the condensed consolidated statement of operations for the three month period ended March 31, 2012.

Although this estimate is subject to changes in the forward interest rate curve for LIBOR, as of March 31, 2012, the estimated amount of the interest rate swap derivatives that will settle over the next twelve months in accordance with their normal operating terms stated in the contracts is \$22,456 (\$21,788 after proportionate counterparty credit valuation adjustment).

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

10. FAIR VALUE MEASUREMENTS

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

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

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

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

The following table sets forth the Company's financial assets and liabilities within the condensed consolidated balance sheet as of March 31, 2012 and December 31, 2011 measured on a recurring basis at fair value by level within the fair value hierarchy. As required by ASC guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| March 31, 2012 (Unaudited) | | Total | Level 1 | Level 2 | Level 3 |
|-----------------------------------|-----------------------------|-------------|---------|-------------|---------|
| Liabilities: | | | | | |
| Derivative contract | interest rate swap contract | \$ (26,215) | | \$ (26,215) | |
| December 31, 2011 | | Total | Level 1 | Level 2 | Level 3 |
| Liabilities: | | | | | |
| Derivative contract | interest rate swap contract | \$ (54,896) | | \$ (54,896) | |

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

As of March 31, 2012 and December 31, 2011, the estimated fair values for the Company's interest rate swap liabilities include a counterparty credit valuation adjustment of \$668 and \$1,694, respectively, which are based upon the Company's estimated credit risk adjustment of 9.06% above LIBOR.

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

11. STOCK-BASED COMPENSATION*Stock Options*

The Company has granted incentive and non-qualified stock options to its employees and directors under 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 5,735,535 stock options outstanding at March 31, 2012 issued pursuant to the Company's 2006 Stock Incentive Plan. The outstanding options expire at various dates from 2012 to 2017. The Company granted 0 and 500,000 stock options during the three month periods ended March 31, 2012 and 2011, respectively. During the three month periods ended March 31, 2012 and 2011, the Company recognized \$25,987 and \$55,949, respectively, in compensation expense related to employee stock options that vest over time. As summarized in the following tables, during the three month period ended March 31, 2012, there were no stock options granted nor exercised and 12,750 were cancelled or forfeited.

| | Number of Shares | Weighted Average Exercise Price |
|--|-----------------------------|--|
| Three months ended March 31, 2012 | | |
| Options outstanding at December 31, 2011 | 5,748,285 | \$.34 |
| Granted | | |
| Exercised | | |
| Cancelled/Forfeited | (12,750) | .16 |
| Options outstanding at March 31, 2012 | 5,735,535 | \$.34 |

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

| | Number Outstanding | Weighted Average Remaining Contractual Life in Years | Weighted Average Exercise Price | Intrinsic Value |
|---------------------------|-------------------------------|---|--|----------------------------|
| Total stock options | 5,735,535 | 3.6 | \$.34 | \$ 6,383 |
| Exercisable stock options | 4,218,290 | 3.6 | \$.41 | \$ 6,383 |

The closing price of the Company's common stock on the OTC Pink Sheets Market on March 31, 2012 was \$0.10 per share. Accordingly, the intrinsic value of both the total stock options and exercisable stock options as of March 31, 2012, was \$6,383.

The following table summarizes the unvested stock options outstanding as of March 31, 2012:

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

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|------------------|--|
| Three months ended March 31, 2012 | | |
| Unvested options outstanding at December 31, 2011 | 1,526,620 | \$.10 |
| Granted | | |
| Vested | | |
| Cancelled/Forfeited | (9,375) | .16 |
| Unvested Options outstanding at March 31, 2012 | 1,517,245 | \$.10 |

No options vested during the three month period ended March 31, 2012. 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 March 31, 2012, 1,517,245 stock options remain unvested, which will result in \$76,655 in compensation expense to be recognized during the next nine quarters.

The Company uses the Black-Scholes option pricing model to estimate the fair value of stock options granted. As indicated above, the Company granted 500,000 options during the three month period ended March 31, 2011. The expected forfeiture rate of 0% was based on the limited amount of time these options require to vest and the fact that these options are subject to an executive employment agreement which automatically vest the options should the executive be terminated. The expected term of the options granted to employees is estimated using the formula set forth in SEC Staff Accounting Bulletin (SAB) No. 107. The risk-free interest rate is based upon the U.S. Treasury yield curve in effect at the date of grant and the expected volatility is based on the weighted historical volatility of the Company's common stock and that of its peer group.

The fair values for the stock options granted during the three month period ended March 31, 2011 were estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | Three Months Ended March 31, 2011 |
|-------------------------|---|
| Risk-free interest rate | 0.87% |
| Expected life | 2.5 years |
| Expected volatility | 126% |
| Expected dividend yield | 0% |

Deferred Stock Units

During the three months ended March 31, 2012, 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 the three months ended March 31, 2012. Accordingly, during that period, Douglas Hamilton, the Chairman of the Company's Audit Committee, received 117,647 deferred stock units; John Cook, the Chairman of the Company's Compensation Committee, received 95,588 deferred stock units; and Stephen Seymour, the Chairman of the Company's Corporate Governance and Nominating Committee, received 95,588 deferred stock units. During the three months ended March 31, 2012, the Company recognized total expense of \$26,250 related to the issuance of the total 308,823 deferred stock units to its independent directors. The deferred stock units were granted under the 2006 Deferred Stock Unit Plan. During the three months

ended March 31, 2012, 310,977 deferred stock units were converted into shares of the Company's common stock. As of March 31, 2012, there were 2,137,086 deferred stock units outstanding.

F-17

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

During the three months ended March 31, 2011, Douglas Hamilton, the Chairman of the Company's Audit Committee, received 64,517 deferred stock units; John Cook, the Chairman of the Company's Compensation Committee, received 52,419 deferred stock units; and Stephen Seymour, the Chairman of the Company's Corporate Governance and Nominating Committee, received 52,419 deferred stock units. During the three months ended March 31, 2011, the Company recognized total expense of \$26,250 related to the issuance of the total 169,355 deferred stock units to its independent directors. The deferred stock units were granted under the 2006 Deferred Stock Unit Plan. During the three months ended March 31, 2011, 280,357 deferred stock units were converted into shares of the Company's common stock. As of March 31, 2011, there were 1,303,898 deferred stock units outstanding.

12. BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share is computed by dividing net earnings (loss) by the weighted average number of basic common shares outstanding during the period. Diluted earnings (loss) per share are calculated based on the weighted average number of basic common shares outstanding adjusted for the dilutive effect, if any, of stock options, warrants and other dilutive securities outstanding. Outstanding options, warrants and other dilutive securities to purchase 61,693,885 and 59,676,683 shares of common stock for the three months ended March 31, 2012 and 2011, respectively, are not included in the computation of diluted earnings per share as the effect of the assumed exercise of these options and warrants, and other dilutive securities would be anti-dilutive.

Components of basic and diluted earnings per share were as follows:

F-18

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

| | Three Months Ended March 31, | |
|---|-------------------------------------|--------------------|
| | 2012 | 2011 |
| | (unaudited) | (unaudited) |
| Net loss available for common stock holders | \$ (2,507,888) | \$ (2,277,380) |
| Weighted average basic outstanding shares of common stock | 114,320,260 | 113,310,388 |
| Dilutive effect of warrants and stock options | | |
| Weighted average diluted outstanding shares of common stock | 114,320,260 | 113,310,388 |
| Earnings (loss) per share: | | |
| Basic | \$ (0.02) | \$ (0.02) |
| Diluted | \$ (0.02) | \$ (0.02) |

13. CONCENTRATIONS

The Company currently sells 100% of its copper cathode production to Red Kite Explorer Fund Limited under a definitive purchase and sale agreement dated February 2, 2008 with Red Kite, a large, well-capitalized and diversified multinational organization; therefore, the credit risk is considered to be minimal.

14. COMMITMENTS AND CONTINGENCIES

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

As previously disclosed in the Company's annual report on Form 10-K for the year ended December 31, 2011, the Company and ADEQ reached an agreement to settle the all unresolved issues resulting from previously issued Notices of Violation in respect of the Company's Aquifer Protection Permit for a penalty of \$65,000 and the Company's completion of several monitoring wells and the installation of drinking water system under a definitive schedule. These improvements were completed by June of 2011 at an estimated cost approximately \$400,000. In conjunction with this settlement, ADEQ also agreed to the termination of the outstanding Compliance Order issued on September 7, 2002. A Consent Judgment in Superior Court reflecting these key provisions resolving these matters was finalized in April 2011. During the three month period ending March 31, 2012, the Company did not make any payments on this liability. As of March 31, 2012, the remaining balance due to ADEQ is \$16,250.

Complaint by Former Employee

The Company received notice of complaints filed with the U.S. Department of Labor and the Office of the Attorney General of the State of Arizona alleging discriminatory employment practices by the Company against a former employee in violation of Section 806 of the Corporate Criminal Fraud Accountability Act of 2002, Title VIII of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1514A and the Arizona Civil Rights. As previously disclosed in its annual report on Form 10-K for the year ended December 31, 2011, in January 2011, the Company received notification that the Office of the Attorney General of the State of Arizona has dismissed the Charge of Discrimination finding that there was no evidence to establish a violation of the Arizona civil rights statute and that further investigation is not likely to produce any such evidence.

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

The complaint filed with the U.S. Department of Labor remains outstanding. The Company intends to vigorously defend itself and does not believe that it will be held liable for these claims. The Company also believes that if the former employee is successful, the resulting award of damages (net of insurance reimbursement) against the Company, if any, will not be material to the financial condition of the Company.

15. 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, in certain cases, cannot be substantiated by comparison to independent market values and may not be realized in an 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 March 31, 2012:

| | Carrying Amount (unaudited) | Estimated Fair Value (unaudited) |
|---------------------------------------|--|---|
| Financial Assets: | | |
| Restricted marketable securities | \$ 686,476 | \$ 686,476 |
| Accounts receivable | 212,810 | 212,810 |
| Financial Liabilities: | | |
| Accounts payable | \$ 4,389,063 | \$ *** |
| Accrued expenses | 1,413,503 | *** |
| Accrued interest | 5,686,544 | *** |
| Copper derivatives settlement payable | 16,106,691 | *** |
| Current maturity of long-term debt | 6,185,999 | *** |
| Senior long term debt | 23,257,826 | *** |
| Derivative contracts | 26,215 | 26,215 |

The carrying amounts for cash and cash equivalents, restricted marketable securities and accounts receivable approximate fair value because of the short maturities of these financial instruments. As noted above, the Company's derivatives are carried on the condensed consolidated balance sheet at estimated fair value. As of March 31, 2012, the fair value of the derivatives includes an aggregate counterparty credit valuation adjustment of \$668.

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

Item 2. Management's Discussion and Analysis

The following discussion of our financial condition, changes in financial condition and results of operations for the three month periods ended March 31, 2012 and 2011 should be read in conjunction with our unaudited condensed consolidated interim financial statements and related notes for the three month periods ended March 31, 2012 and 2011. The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those included in our annual report on Form 10-K for the year ended December 31, 2011, under the heading "Risk Factors".

Overview of Our Business

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

We are currently in default under our Credit Agreement with Nedbank and our Copper Hedge Agreement with Nedbank Capital. In addition, in July 2010, we reached an agreement with Fisher Sand & Gravel Company (Fisher Industries), our mining contractor and largest unsecured trade creditor, to convert approximately \$8.2 million of payables to a two-year unsecured note bearing interest on the outstanding principal at the rate of 6% per annum, which matures on July 31, 2012.

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

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

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

If we are unable to obtain financing, we expect to be able to continue our residual leaching and solvent extraction/electro-winning operations for the foreseeable future, assuming that neither Nedbank nor Nedbank Capital exercises its rights to note us in default, that Fisher Industries does not exercise its rights under our promissory note to it when it matures in July 2012, our vendors continue to provide us goods and services in accordance with existing terms and conditions, both copper prices and our costs (in particular, the cost of sulfuric acid) remain at or near current levels, and our copper recovery rate and copper production trends remain consistent with the average recovery rate and production trends that we have experienced for the last twelve months (none of which can be assured).

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

If Nedbank and/or Nedbank Capital elect to note us in default and enforce their security interests, we will not be able to continue as a going concern.

Development of Our Business

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

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

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

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

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

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

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

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

Default Under Secured Credit Agreement with Nedbank

In March 2009, our credit agreement with Nedbank was amended and restated to provide for, among other things, the deferral of certain principal and interest payments until December 31, 2012 and March 31, 2013. Due to our cash flow constraints, we have been unable to make the quarterly payments of principal due on and after March 31 2010, each in the amount of \$1,790,099, and the related interest payments. As of March 31, 2012, our quarterly payments in arrears totaled \$14,320,792, and unpaid interest thereon totaled \$4,621,153.

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

Default Under Copper Derivatives Agreements with Nedbank Capital

Nedbank Capital has also declined to extend the forbearance agreement regarding the Company's failure to make the timely payments for the monthly settlements beginning in March of 2010 through December 31, 2011 in the aggregate amount of \$16,106,691 due under the copper derivatives agreements between the parties. As of March 31, 2012, 100% of the related copper derivatives have matured. Interest rate swap derivative contracts with an estimated fair value of (\$26,215) are scheduled to mature during the next twelve months.

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

In July 2010, we reached an agreement with Fisher Industries to convert approximately \$8.2 million of payables to a two-year unsecured note bearing interest on the outstanding principal at the rate of 6% per annum. Since the outstanding principal under our promissory note to Fisher Industries is due and payable on July 31, 2012, the entire balance remaining unpaid to Fisher Industries under the note has been classified as a current liability. As of March 31, 2012, current maturities of long-term debt in the amount of \$6,185,999 are reflected in the consolidated balance sheet.

Company Operations if We Are Unable to Obtain Additional Capital

If we are unable to obtain financing, we expect to be able to continue our residual leaching and solvent extraction/electro-winning operations for the foreseeable future, assuming that neither Nedbank nor Nedbank Capital exercises its rights to note us in default, that Fisher Industries does not exercise its rights under our promissory note when it matures in July 2012, our vendors continue to provide us goods and services in accordance with existing terms and conditions, both copper prices and our costs (in particular, the cost of sulfuric acid) remain at or near current levels, and our copper recovery rate and copper production trends remain consistent with the average recovery rate and production trends that we have experienced for the last twelve months (none of which can be assured).

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

Financial Advisory and Consulting Services Agreements with FTI Consulting Inc. and Olympus Securities LLC

In June 2010, the Company engaged FTI Consulting, Inc. (FTI), to provide financial advisory and consulting services. In accordance with the Agreement, the Company agreed to pay FTI an initial fee of \$100,000 payable in four equal installments between June 1 and July 15, 2010. In addition, the Company agreed to pay FTI a success fee ranging between from 0.75% to 5.0% of the capital raised for the Company during the twelve month period ending May 31, 2012 as well as certain amounts payable should other specified transactions occur. As of March 31, 2011, the Company had paid FTI the initial fee of \$100,000 and a success fee of \$191,333 related to the closing of the \$8,200,000 promissory note with Fisher Industries in July 2010. No other success fees have been paid under the terms of the Agreement.

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

Delisting From OTCBB

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

Results of Operations Three Month Periods Ended March 31, 2012 and 2011

The following table sets forth our operating results for the three month period ended March 31, 2012 as compared with our operating results for the three month period ended March 31, 2011.

| | Three Months Ended | | |
|--|---------------------------|---------------------------|--|
| | March 31 2012 | March 31, 2011 | Change Increase/ (Decrease) |
| | (unaudited) | (unaudited) | (unaudited) |
| Net sales | \$ 2,378,014 | \$ 4,753,344 | \$ (2,375,330) |
| Costs applicable to sales | 3,368,426 | 4,382,805 | (1,014,379) |
| General and administrative expenses | 398,962 | 517,833 | (118,871) |
| Depreciation, depletion and amortization | 212,271 | 259,304 | (47,033) |
| Loss from operations | (1,601,645) | (406,598) | (1,195,047) |
| Other income (expense): | | | |
| Interest expense | (950,356) | (889,208) | (61,148) |
| Gains (losses) on derivatives classified as trading securities | 28,681 | (1,004,678) | 1,033,359 |
| Miscellaneous income (expense), net | 15,432 | 23,104 | (7,672) |
| Total other income (expense) | (906,243) | (1,870,782) | 964,539 |
| Loss before income taxes | (2,507,888) | (2,277,380) | (230,508) |
| Provision for income taxes | - | - | - |
| Net loss | \$ (2,507,888) | \$ (2,277,380) | \$ (230,508) |

Revenue

We commenced production of nominal amounts of copper from newly-mined ore during the testing and development phase of the mine in February and March 2009. We entered the production stage as we achieved commercial copper cathode production from newly-mined ore on April 1, 2009. Due to continued copper recovery issues with the existing leach pads combined with a reduction in the amount of mining activity stemming from inadequate capital, we were unable to become cash flow positive in the second quarter of 2010 as anticipated. As a result, on July 2, 2010, we suspended the mining and crushing of new ore operations to increase cash flow with the goal of building a new leach pad. All other operations, including leaching, SX-EW and copper production, are continuing. However, as noted above, we expect that the production level will continue to steadily decline until the resumption of mining and crushing operations.

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

We recorded revenues of \$2,378,014 (including \$8,250 in amortization of deferred revenue) from the sale of 624,372 pounds of copper cathode for the three months ended March 31, 2012 and revenues of \$4,753,344 (including \$14,283 in amortization of deferred revenue) from the sale of 1,083,618 pounds of copper cathode for the three months ended

March 31, 2011. The average realized price of copper sold during the three month periods ended March 31, 2012 and 2011 was \$3.81 and \$4.39 per pound, respectively.

Costs Applicable to Sales

Costs applicable to sales represents the costs incurred in converting the ore present in existing leach pads into salable copper cathode. The conversion process includes the mining of ore, crushing, conveying and stacking of ore on to the pads, leaching of stockpiles, solvent extraction and electrowinning, and results in the production of copper cathode. The costs include labor, supplies, energy, site overhead costs and other necessary costs associated with the extraction and processing of ore.

For the three months ended March 31, 2012, we incurred \$3,368,426 of costs applicable to sales (including \$2,461,415 in abnormal production costs due to the underutilization of plant capacity) from the sale of copper. The average cost per pound of copper sold during the quarter ended March 31, 2011 was \$5.39 per pound. The average cost per pound of copper sold excluding abnormal production costs was \$1.45 per pound.

For the three months ended March 31, 2011, we incurred \$4,382,805 of costs applicable to sales (including \$2,874,185 in abnormal production costs due to the underutilization of plant capacity) from the sale of copper. The average cost per pound of copper sold during the quarter ended March 31, 2011 was \$4.04 per pound. The average cost per pound of copper sold excluding abnormal production costs was \$1.39 per pound.

General and Administrative Expenses

Our general and administrative expenses decreased to \$398,962 for the three months ended March 31, 2012, compared to \$517,833 for the three months ended March 31, 2011. The decrease was primarily due to a \$52,421 reduction in professional fees and a \$45,339 decrease in employee compensation expense mainly related to reductions in salaries and wages and a reduction in compensation expense related to employee stock options that vest over time.

Depreciation, Depletion and Amortization

Our depreciation, depletion and amortization (DD&A) expenses decreased by (\$47,033) for the three months ended March 31, 2012, as compared to the three months ended March 31, 2011. The decrease was primarily due to the decrease in the amount of copper produced in comparison to the same period in the prior year.

Other Income (Expense)

The decrease in other income (expense) of (\$964,539) for the three months ended March 31, 2012 in comparison to the same period in the prior year was primarily due to a decrease in gains (losses) on derivatives classified as trading securities to \$28,681 in the current period as compared to the same period in 2011 of (\$1,004,678) and a \$61,148 increase in the amount of interest accrued.

Net Loss

The Company incurred a net loss of (\$2,507,888) for the three months ended March 31, 2012 as compared to a net loss of (\$2,277,380) for the three months ended March 31, 2011. The increase in net loss of \$230,508 between these periods is primarily related to the decrease in revenues from lower copper production of (\$2,375,330), which was offset mainly by a decrease in cost of sales of \$1,014,379 and the decrease of losses on derivatives classified as trading securities of \$1,033,359.

Liquidity and Financial Resources

We are currently in default under our Credit Agreement with Nedbank and our Copper Hedge Agreement with Nedbank Capital. Nedbank and Nedbank Capital have not exercised their respective rights to note us in default. However, our Company's continuation as a going concern is dependent upon our ability to refinance the obligations under the Credit Agreement and the Copper Hedge Agreement, raise approximately \$20 million dollars in additional capital (to finance approximately \$18 million in capital costs for the development and construction of the new leach pad, and provide an additional \$2 million in working capital), and on our ability to produce copper to sell at a level where our Company becomes profitable and generates cash flows from operations, all of which is uncertain. If our Company cannot raise additional capital, refinance our obligations or achieve our operating plan because of sales shortfalls, a reduction in copper prices, or other unfavorable events, Nedbank and Nedbank Capital may take steps to enforce their rights under the Credit Agreement and the Copper Hedge Agreement, or we may find it necessary to dispose of assets, or undertake other actions as may be appropriate. Our condensed consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As noted above, we have suspended the mining and crushing of ore at the Johnson Camp Mine and laid off approximately half of our workforce at the mine. We have continued to produce copper through the leaching of ore already in place on our existing pads and processing the solution through the SX-EW plant. Our Company is now maintaining its current infrastructure in order to maintain current operations and be in position to ramp up full mining operations upon the closing of a substantial capital infusion into the Company for the proposed construction of a new leach pad.

If we are unable to obtain financing for our new leach pad, we would not be able to resume our mining and crushing operations. However, we expect to be able to continue our residual leaching and solvent-extraction/electro-winning operations for the foreseeable future, assuming that neither Nedbank nor Nedbank Capital exercises its rights to note us in default, both copper prices and our costs (in particular, the cost of sulfuric acid) remain at or near current levels, and our copper recovery rate and copper production trends remain consistent with the average recovery rate and production trends that we have experienced for the last twelve months (none of which can be assured). We caution that extraction and recovery of copper by residual leaching is, by its nature, difficult to predict, and there can be no assurance that future copper recovery rates and copper production trends will be consistent with our past experience, apart from the certainty that our production level will continue to steadily decline until the resumption of mining and crushing operations.

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

If Nedbank and/or Nedbank Capital elect to note us in default and enforce their security interests, we will not be able to continue as a going concern.

Cash and Working Capital

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

| | As of March 31, 2012 (Unaudited) | As of December 31, 2011 |
|---|---|------------------------------------|
| Cash reserves | \$ (1) | \$ 118,054 ⁽¹⁾ |
| Working capital surplus (deficiency) | \$ (53,605,031) ⁽²⁾ | \$ (51,783,180) ⁽³⁾ |

- (1) Excludes \$686,476 in restricted cash being held in conjunction with two letters of credit.
- (2) Includes \$26,215 in current maturities of derivative contracts, \$23,257,826 in current portion of senior long-term debt, \$16,106,691 in copper derivatives settlement payable and \$6,185,999 current portion of long-term debt.
- (3) Includes \$54,896 in current maturities of derivative contracts, \$21,481,183 in current portion of senior long-term debt, \$16,106,691 in copper derivatives settlement payable and \$1,776,643 of senior long-term debt that was classified as current liabilities due to our Company defaulting on the related agreements.

Cash Flows from Operating Activities

Our cash flows from operating activities during the three months ended March 31, 2012 were \$(103,364) as compared to \$777,244 during the same period in 2011. The decrease in cash flows from operating activities of (\$880,608) is primarily due to a decline in revenues to \$2,378,014 from \$4,753,344 during the three month periods ended March 31, 2012 and 2011. This was a mainly a result of a decrease in production of 459,246 pounds of copper for a decline of \$1,749,727 at \$3.81 per pound and a decrease in the average realized price of copper sold by \$0.58 per pound for a decline of \$362,136 on 624,372 pounds of copper produced.

Cash Flows from Investing Activities

Our cash flows from investing activities during the three months ended March 31, 2012 and 2011 were (\$14,723) and (\$303,568), respectively, which represents the purchase of capitalized equipment and engineering services used in the Johnson Camp Mine operation.

Cash Flows from Financing Activities

Our cash flows from financing activities during the three months ended March 31, 2012 were \$29 compared to (\$155,269) for the same period in 2011. The decrease in cash flows used by financing activities of is primarily due to non-payment of principal payments to conserve cash in the three months ended March 31, 2012 on the Fisher Promissory Note as compared to the same period in 2011.

Accounting Developments

There were no material changes to the Company's significant accounting policies disclosed in Note 2 to the Company's Audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 29, 2012.

For a discussion of significant 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 see Note 2 within the Unaudited Condensed Consolidated Financial Statements.

For a discussion of recently adopted accounting pronouncements see Note 3 to the Unaudited Condensed Consolidated Financial Statements.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

As a smaller reporting company, we are not required to provide any information under this item.

Item 4. Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

The term "internal control over financial reporting" is defined as a process designed by, or under the supervision of, the registrant's principal executive and principal financial officers, or persons performing similar functions, and effected by the registrant's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the registrant;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the registrant are being made only in accordance with authorizations of management and directors of the registrant; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the registrant's assets that could have a material effect on the financial statements.

There have not been any changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2012 that have materially affected, or are likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

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

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

As previously disclosed in our annual report on Form 10 K for the year ended December 31, 2011, our Company and ADEQ reached an agreement to settle the all unresolved issues resulting from previously issued Notices of Violation in respect of our Company's Aquifer Protection Permit for a penalty of \$65,000 and Nord's completion of several monitoring wells and the installation of drinking water system under a definitive schedule. These improvements were completed by June of 2011 at an estimated cost approximately \$400,000. In conjunction with this settlement, ADEQ also agreed to the termination of the outstanding Compliance Order issued on September 7, 2002. A Consent Judgment in Superior Court reflecting these key provisions resolving these matters was finalized in April 2011. During the three month period ending March 31, 2012, our Company did not make any payments on this liability. As of March 31, 2012, the remaining balance due to ADEQ is \$16,250.

Complaint by Former Employee

Our Company received notice of complaints filed with the U.S. Department of Labor and the Office of the Attorney General of the State of Arizona alleging discriminatory employment practices by our Company against a former employee in violation of Section 806 of the Corporate Criminal Fraud Accountability Act of 2002, Title VIII of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1514A and the Arizona Civil Rights. As previously disclosed in our annual report on Form 10 K for the year ended December 31, 2011, in January 2011, we received notification that the Office of the Attorney General of the State of Arizona has dismissed the Charge of Discrimination finding that there was no evidence to establish a violation of the Arizona civil rights statute and that further investigation is not likely to produce any such evidence.

The complaint filed with the U.S. Department of Labor remains outstanding. Our Company intends to vigorously defend itself and does not believe that it will be held liable for these claims. We also believe that if the former employee is successful, the resulting award of damages (net of insurance reimbursement) against our Company, if any, will not be material to the financial condition of our Company.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide any information under this item.

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

We did not effect any unregistered sales of our shares of common stock during the period covered by this quarterly report on Form 10-Q.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We have not purchased any of our shares of common stock during the period covered by this quarterly report on Form 10-Q.

Item 3. Defaults upon Senior Securities

Nedbank Limited, our Company's senior lender, has declined to extend the forbearance agreement with respect to the scheduled quarterly principal and interest payments that were due between March 31, 2010 and March 31, 2012 under our Company's \$25,000,000 secured term-loan credit facility with Nedbank. We are now in default of our obligations under the Amended and Restated Credit Agreement with Nedbank dated March 31, 2009.

Given this default, Nedbank has full authority to exercise its rights under the credit agreement, including the acceleration of the full amount due there under and the institution of foreclosure proceedings against the Johnson Camp Mine. Nedbank has not served our Company with a formal notice of default under credit agreement, which is a precondition to such exercise of Nedbank's rights of acceleration and foreclosure. In accordance with the credit agreement, upon missing the March 31, 2010 principal and interest payment the interest rate on the outstanding debt and unpaid accrued interest was increased by 3.00% to LIBOR plus 9.06% .

Nedbank Capital has also declined to extend the forbearance agreement regarding our Company's failure to make the monthly payments due between April 6, 2010 and January 5, 2012 under the Copper Hedge Agreement between the parties. Accordingly, although Nedbank Capital has not served our Company with a formal notice of default, we are in default under the Copper Hedge Agreement.

Item 4. Mine Safety Disclosures

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

Item 5. Other Information

Not applicable.

Item 6. Exhibits

| Exhibit Number | Description |
|----------------|-------------|
|----------------|-------------|

Articles of Incorporation and By laws

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

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

| | |
|-----|--|
| 3.3 | Amendment to Amended Certificate of Incorporation ⁽⁵⁾ |
|-----|--|

Instruments defining the rights of security holders, including indentures

- 4.1 Pages from Amended and Restated Bylaws of Nord Resources Corporation defining the rights of holders of equity or debt securities ⁽¹⁾
- 4.2 Deed of Trust and Security Agreement and Fixture Financing Statement with Adjustment of Leases and Rents Filing among Nord Resources Corporation , First American Title Insurance Company and Nedbank Limited dated July 31, 2007 ⁽¹³⁾
- 4.3 Hazardous Materials or Wastes Indemnity Agreement between Nord Resources Corporation and Nedbank Limited dated July 31, 2007⁽¹³⁾

Material Contracts

- 10.1 Executive Employment Agreement between Nord Resources Corporation and Ronald A. Hirsch dated January 2, 2004⁽¹⁾
- 10.2 Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated January 5, 2006⁽⁶⁾
- 10.3 Addendum to Office Lease between Issa and Henrietta Hallaq, landlords, and Nord Resources Corporation, tenant, dated June 1, 2011⁽¹³⁾
- 10.4 Amended and Restated Waiver Agreement And Amendment of Employment Agreement between Nord Resources Corporation and Ronald Hirsch dated October 18, 2006 ⁽⁴⁾
- 10.5 Long Term Cathode Sales Agreement effective February 1, 2008, with Red Kite Explorer Fund Limited (Portions of this document have been omitted and filed separately with the SEC pursuant to a Request for Confidential Treatment filed under 17 C.F.R. 200.80(b)(4) and 240.24b 2⁽⁷⁾)
- 10.6 Executive Employment Agreement between the Company and Wayne Morrison dated September 9, 2008. ⁽⁸⁾
- 10.7 Processing Agreement with Texas Canyon Rock & Sand, Inc., dated October 31, 2008 ⁽⁹⁾
- 10.8 Amended and Restated Credit Agreement dated as of March 31, 2009 among Nord Resources Corporation, Cochise Aggregates and Materials Inc., Nedbank Limited and the Lenders from time to time party thereto ⁽¹⁰⁾
- 10.9 Royalty Deed and Assignment of Royalty dated as of March 31, 2009, from Nord Resources Corporation to IRC Nevada Inc. ⁽¹⁰⁾
- 10.10 Forbearance Agreement between Nord Resources Corporation and Nedbank Limited dated March 30, 2010 ⁽¹⁰⁾
- 10.11 Forbearance Agreement between Nord Resources Corporation and Nedbank Limited dated April 22, 2010⁽¹¹⁾

- 10.12 Forbearance Agreement between Nord Resources Corporation and Nedbank Capital Limited dated April 27, 2010⁽¹²⁾
- 10.13 Settlement Agreement among Nord Resources Corporation, Fisher Sand & Gravel Co. and F5 Equipment Inc. dated July 28, 2010⁽¹⁴⁾
- 10.14 Promissory Note of Nord Resources Corporation dated July 28, 2010 and payable to Fisher Sand & Gravel Co. in the principal sum of \$8,200,000⁽¹⁴⁾
- 10.15 Amended and Restated Executive Employment Agreement between the Company and Wayne Morrison dated January 19, 2011⁽¹⁵⁾

Subsidiaries of the Issuer

- 21.1 Subsidiaries of the Issuer:
Cochise Aggregates and Materials, Inc. (Incorporated in Nevada)

Certifications

- 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended⁽¹⁶⁾
- 31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended⁽¹⁶⁾
- 32.1 Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002⁽¹⁶⁾

Mine Safety Disclosure Exhibit

- 95.1 Mine Safety Disclosure⁽¹⁶⁾

Additional Exhibits

- 99.1 Nord Resources Corporation Amended and Restated 2006 Stock Incentive Plan ⁽⁸⁾
- 99.2 Nord Resources Corporation Performance Incentive Plan for the period from July 1, 2007 to December 31, 2008 ⁽⁶⁾
- 99.3 Nord Resources Corporation 2010-2011 Bonus Plan ⁽¹³⁾

Data Files

101.INS XBRL Instance File⁽¹⁶⁾

101.SCH XBRL Schema File⁽¹⁶⁾

101.CAL XBRL Calculation File⁽¹⁶⁾

101.DEF XBRL Definition File⁽¹⁶⁾

101.LAB XBRL Label File⁽¹⁶⁾

101.PRE XBRL Presentation File⁽¹⁶⁾

Notes

- (1) Incorporated by reference from our annual report on Form 10 KSB for the year ended December 31, 2004, filed with the SEC on January 17, 2006.
- (2) Incorporated by reference from our current report on Form 8 K dated February 15, 2006, filed with the SEC on February 16, 2006.
- (3) Incorporated by reference from our current report on Form 8 K, filed with the SEC on May 31, 2006.
- (4) Incorporated by reference from our current report on Form 8 K, filed with the SEC on October 23, 2006.
- (5) Incorporated by reference from our quarterly report on Form 10 QSB for the quarter ended March 31, 2007, filed with the SEC on May 9, 2007.
- (6) Incorporated by reference from our quarterly report on Form 10 QSB for the quarter ended September 30, 2007, filed with the SEC on August 14, 2007.
- (7) Incorporated by reference from our annual report on Form 10 KSB for the year ended December 31, 2007, filed with the SEC on March 26, 2008.
- (8) Incorporated by reference from our current report on Form 8 K dated September 9, 2008 and filed with the SEC on September 12, 2008.
- (9) Incorporated by reference from our current report on Form 8 K dated October 31, 2008 and filed with the SEC on November 5, 2008.
- (10) Incorporated by reference from our annual report on Form 10-K for the year ended December 31, 2008 and filed with the SEC on March 31, 2009.
- (11) Incorporated by reference from our current report on Form 8 K dated April 22, 2010 and filed with the SEC on April 23, 2010.

- (12) Incorporated by reference from our current report on Form 8-K dated April 27, 2010 and filed with the SEC on April 29, 2010.
- (13) Incorporated by reference from our quarterly report on Form 10-Q for the quarter ended March 31, 2011, filed with the SEC on May 13, 2011.
- (14) Incorporated by reference from our current report on Form 8-K dated July 29, 2010 and filed with the SEC on July 29, 2010.
- (15) Incorporated by reference from our amended current report on Form 8-K/A dated November 30, 2010 and filed with the SEC on January 25, 2010.
- (16) Filed herewith.

SIGNATURES

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

NORD RESOURCES CORPORATION

May 14, 2012

By: /s/ Wayne M. Morrison
Wayne M. Morrison
(Principal Executive Officer, Principal Financial
Officer and Principal Accounting Officer)
Chief Executive Officer and Chief Financial Officer