MERIT MEDICAL SYSTEMS INC
Form 10-Q
August 08, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016.
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO .
Commission File Number 0-18592

MERIT MEDICAL SYSTEMS, INC.
(Exact name of Registrant as specified in its charter)

Utah	87-0447695
(State or other jurisdiction of incorporation or organization)	(I.R.S. Identification No.)

1600 West Merit Parkway, South Jordan, UT, 84095
(Address of Principal Executive Offices, including Zip Code)

(801) 253-1600
(Registrant’s telephone number, including area code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 ý No o

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 ý No o

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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer x Accelerated Filer o

Non-Accelerated Filer o Smaller Reporting Company o

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

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common Stock	44,393,291
Title or class	Number of Shares Outstanding at August 5, 2016

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2016 and December 31, 2015
(In thousands)

ASSETS	June 30, 2016 (unaudited)	December 31, 2015
CURRENT ASSETS:		
Cash and cash equivalents	$ 10,487	$ 4,177
Trade receivables — net of allowance for uncollectible accounts — 2016 — $1,498 and 2015 — $1,297	76,792	70,292
Employee receivables	165	217
Other receivables	4,742	6,799
Inventories	109,858	105,999
Prepaid expenses	7,829	5,634
Prepaid income taxes	3,044	2,955
Deferred income tax assets	7,017	7,025
Income tax refund receivables	43	905
Total current assets	219,977	204,003
PROPERTY AND EQUIPMENT:		
Land and land improvements	19,400	19,307
Buildings	139,140	136,595
Manufacturing equipment	166,034	158,775
Furniture and fixtures	42,478	39,301
Leasehold improvements	29,267	27,561
Construction-in-progress	31,795	26,292
Total property and equipment	428,114	407,831
Less accumulated depreciation	(151,628)	(140,053)
Property and equipment — net	276,486	267,778
OTHER ASSETS:		
Intangible assets:		
Developed technology — net of accumulated amortization — 2016 — $44,401 and 2015 — $38,497	76,111	69,861
Other — net of accumulated amortization — 2016 — $28,569 and 2015 — $26,603	40,587	39,493
Goodwill	187,034	184,472
Other assets	14,770	13,121
Total other assets	318,502	306,947

TOTAL	$ 814,965	$ 778,728

See condensed notes to consolidated financial statements. (continued)

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2016 and December 31, 2015
(In thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	June 30, 2016 (unaudited)	December 31, 2015
CURRENT LIABILITIES:		
Trade payables	$ 31,286	$ 37,977
Accrued expenses	40,196	37,846
Current portion of long-term debt	10,000	10,000
Advances from employees	473	589
Income taxes payable	3,138	1,498
Total current liabilities	85,093	87,910
LONG-TERM DEBT	221,719	197,593
DEFERRED INCOME TAX LIABILITIES	11,024	10,985
LIABILITIES RELATED TO UNRECOGNIZED TAX BENEFITS	768	768
DEFERRED COMPENSATION PAYABLE	9,103	8,500
DEFERRED CREDITS	2,635	2,721
OTHER LONG-TERM OBLIGATIONS	4,633	4,148
Total liabilities	334,975	312,625
COMMITMENTS AND CONTINGENCIES (Notes 5, 9, 10, and 13)		
STOCKHOLDERS' EQUITY:		
Preferred stock — 5,000 shares authorized as of June 30, 2016 and December 31, 2015; no shares issued		
Common stock, no par value; shares authorized — 100,000; issued and outstanding as of June 30, 2016 - 44,318 and December 31, 2015 - 44,267	200,015	197,826
Retained earnings	285,405	273,764
Accumulated other comprehensive loss	(5,430)	(5,487)
Total stockholders' equity	479,990	466,103
TOTAL	$ 814,965	$ 778,728

See condensed notes to consolidated financial statements. (concluded)

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousands, except per share amounts - unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
NET SALES	$151,071	$138,082	$289,148	$267,659
COST OF SALES	84,217	77,196	162,193	151,390
GROSS PROFIT	66,854	60,886	126,955	116,269
OPERATING EXPENSES:				
Selling, general and administrative	43,653	39,321	85,358	76,206
Research and development	11,529	9,202	22,116	18,874
Contingent consideration expense	91	121	193	243
Total operating expenses	55,273	48,644	107,667	95,323
INCOME FROM OPERATIONS	11,581	12,242	19,288	20,946
OTHER INCOME (EXPENSE):				
Interest income	16	79	25	132
Interest expense	(1,768)	(1,713)	(3,097)	(3,287)
Other income (expense) — net	33	(85)	(447)	195
Other expense — net	(1,719)	(1,719)	(3,519)	(2,960)
INCOME BEFORE INCOME TAXES	9,862	10,523	15,769	17,986
INCOME TAX EXPENSE	2,572	3,122	4,128	5,411
NET INCOME	$7,290	$7,401	$11,641	$12,575
EARNINGS PER COMMON SHARE:				
Basic	$0.16	$0.17	$0.26	$0.29
Diluted	$0.16	$0.17	$0.26	$0.28
AVERAGE COMMON SHARES:				
Basic	44,308	44,055	44,297	43,880
Diluted	44,703	44,517	44,647	44,332

See condensed notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousands - unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$7,290	$7,401	$11,641	$12,575
Other comprehensive income (loss):				
Interest rate swap	(152)	98	(881)	(800)
Less income tax benefit (expense)	59	(38)	343	311
Foreign currency translation adjustment	(423)	702	805	(1,609)
Less income tax benefit (expense)	(120)	(33)	(209)	73
Total other comprehensive income (loss)	(636)	729	58	(2,025)
Total comprehensive income	$6,654	8,130	$11,699	$10,550

See condensed notes to consolidated financial statements.

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousands - unaudited)

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$11,641	$12,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,705	18,256
Losses on sales and/or abandonment of property and equipment	44	53
Write-off of patents and intangible assets	90	14
Acquired in-process research and development	100	—
Amortization of deferred credits	(85)	(85)
Amortization of long-term debt issuance costs	521	494
Deferred income taxes	141	383
Excess tax benefits from stock-based compensation	12	(1,420)
Stock-based compensation expense	1,410	1,085
Changes in operating assets and liabilities, net of effects from acquisitions:		
Trade receivables	(6,459)	(2,793)
Employee receivables	51	20
Other receivables	2,126	942
Inventories	(1,403)	166
Prepaid expenses	(2,226)	(631)
Prepaid income taxes	(118)	(43)
Income tax refund receivables	872	(78)
Other assets	(762)	(2,887)
Trade payables	(5,147)	5,222
Accrued expenses	3,039	4,475
Advances from employees	(119)	262
Income taxes payable	1,620	2,909
Deferred compensation payable	603	822
Other long-term obligations	(212)	641
Total adjustments	13,803	27,807
Net cash provided by operating activities	25,444	40,382
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures for:		
Property and equipment	(21,222)	(25,366)
Intangible assets	(989)	(875)
Proceeds from sale-leaseback transactions	—	2,017
Proceeds from the sale of property and equipment	—	6
Proceeds from sale of cost method investment	1,089	—
Cash paid in acquisitions, net of cash acquired	(22,800)	(2,250)

Net cash used in investing activities	(43,922)	(26,468)

See condensed notes to consolidated financial statements. (continued)

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(In thousands - unaudited)

	Six Months Ended June 30,	
	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	$791	$5,144
Proceeds from issuance of long-term debt	93,812	65,339
Payments on long-term debt	(69,687)	(80,056)
Excess tax benefits from stock-based compensation	(12)	1,421
Contingent payments related to acquisitions	(183)	(180)
Payment of taxes related to an exchange of common stock	—	(660)
Net cash provided by (used in) financing activities	24,721	(8,992)
EFFECT OF EXCHANGE RATES ON CASH	67	(175)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,310	4,747
CASH AND CASH EQUIVALENTS:		
Beginning of period	4,177	7,355
End of period	$10,487	$12,102
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Interest (net of capitalized interest of $194 and $185, respectively)	$2,912	$3,279
Income taxes	$1,580	$2,209
Property and equipment purchases in accounts payable	$1,497	$2,352
Contingent receivable received in exchange for sale of cost method investment	$681	$—
Acquisition purchases in accrued expenses	$—	$1,500
Merit common stock surrendered (0 and 166 shares, respectively) in exchange for exercise of stock options	$—	$3,317

See condensed notes to consolidated financial statements. (concluded)

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MERIT MEDICAL SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation. The interim consolidated financial statements of Merit Medical Systems, Inc. ("Merit," "we" or "us") for the three and six-month periods ended June 30, 2016 and 2015 are not audited. Our consolidated financial statements are prepared in accordance with the requirements for unaudited interim periods and, consequently, do not include all disclosures required to be made in conformity with accounting principles generally accepted in the United States of America. In the opinion of our management, the accompanying consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of our financial position as of June 30, 2016 and December 31, 2015, and our results of operations and cash flows for the three and six-month periods ended June 30, 2016 and 2015. The results of operations for the three and six-month periods ended June 30, 2016 and 2015 are not necessarily indicative of the results for a full-year period. These interim consolidated financial statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 filed with the Securities and Exchange Commission (the "SEC").

2. Inventories. Inventories at June 30, 2016 and December 31, 2015 consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Finished goods	$52,997	$59,170
Work-in-process	12,703	8,540
Raw materials	44,158	38,289
Total	$109,858	$105,999

3. Stock-Based Compensation. Stock-based compensation expense before income tax expense for the three and six-month periods ended June 30, 2016 and 2015, consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Cost of goods sold	$141	$109	$264	$202
Research and development	54	32	96	59
Selling, general and administrative	591	424	1,050	824
Stock-based compensation expense before taxes	$786	$565	$1,410	$1,085

As of June 30, 2016, the total remaining unrecognized compensation cost related to non-vested stock options, net of expected forfeitures, was approximately $8.6 million and is expected to be recognized over a weighted average period of 3.61 years.

During the three and six-month periods ended June 30, 2016, we granted awards representing 220,875 and 784,375 shares of our common stock, respectively. During the three and six-month periods ended June 30, 2015, we granted awards representing 150,000 and 596,800 shares of our common stock, respectively. We use the Black-Scholes methodology to value the stock-based compensation expense for options. In applying the Black-Scholes methodology to the options granted during the six-month periods ended June 30, 2016 and 2015, the fair value of our stock-based awards granted was estimated using the following assumptions for the periods indicated

below:

	Six months ended June 30,	
	2016	2015
Risk-free interest rate	1.25% - 1.40%	1.53% - 1.57%
Expected option life	5.0	5.0
Expected dividend yield	—%	—%
Expected price volatility	36.50% - 37.06%	34.00% - 35.11%

For purposes of the foregoing analysis, the average risk-free interest rate is determined using the U.S. Treasury rate in effect as of the date of grant, based on the expected term of the stock option. The expected term of the stock options is determined using the historical exercise behavior of employees. The expected price volatility is determined using a weighted average of daily historical

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volatility of our stock price over the corresponding expected option life and implied volatility based on recent trends of the daily historical volatility. Compensation expense is recognized on a straight-line basis over the service period, which corresponds to the related vesting period.

4. Earnings Per Common Share (EPS). The computation of weighted average shares outstanding and the basic and diluted earnings per common share for the following periods consisted of the following (in thousands, except per share amounts):

	Three Months			Six Months		
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Period ended June 30, 2016:						
Basic EPS	$7,290	44,308	$ 0.16	$11,641	44,297	$0.26
Effect of dilutive stock options and warrants		395			350	
Diluted EPS	$7,290	44,703	$ 0.16	$11,641	44,647	$0.26
Stock options excluded from the calculation of common stock equivalents as the impact was anti-dilutive		1,207			1,093	
Period ended June 30, 2015:						
Basic EPS	$7,401	44,055	$ 0.17	$12,575	43,880	$ 0.29
Effect of dilutive stock options and warrants		462			452	
Diluted EPS	$7,401	44,517	$ 0.17	$12,575	44,332	$ 0.28
Stock options excluded from the calculation of common stock equivalents as the impact was anti-dilutive		529			456	

5. Acquisitions and Strategic Investments. On February 4, 2016, we purchased the HeRO®Graft device and other related assets from CryoLife, Inc., a developer of medical devices based in Kennesaw, Georgia ("CryoLife"). The purchase price was $18.5 million, which was paid in full during the first quarter 2016. We accounted for this acquisition as a business combination. The purchase price was allocated as follows (in thousands):

Assets Acquired	
Inventories	2,455
Fixed Assets	290
Intangibles	
Developed Technology	12,100
Trademarks	700
Customer Lists	400
Goodwill	2,555
Total assets acquired	18,500

We are amortizing the developed HeroGraft technology asset over ten years, the related trademarks over 5.5 years, and the associated customer lists over 12 years. The weighted average life of the intangible HeROGraft assets

acquired is approximately 9.82 years. Acquisition-related costs related to the HeROGraft device and other related assets during the six months ended June 30, 2016, which are included in selling, general and administrative expenses in the accompanying consolidated statements of income, were not material. The results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date. During the three and six-month periods ended June 30, 2016, our net sales of the products acquired from CryoLife were approximately $2.1 million and $3.4 million, respectively. It is not practical to separately report the earnings related to the

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products acquired from CryoLife, as we cannot split out sales costs related to those products, principally because our sales representatives are selling multiple products (including the HeROGraft device) in the cardiovascular business segment. The pro forma consolidated results of operations acquired from CryoLife are not presented, as we believe the pro forma financial effect of the transaction is not material.

On January 20, 2016, we paid $2.0 million for 2.0 million preferred limited liability company units of Cagent Vascular, LLC, a medical device company ("Cagent"). During the three months ended June 30, 2016, we paid $500,000 for an additional 500,000 preferred limited liability company units of Cagent. Our total purchase price paid for the Cagent preferred limited liability company units as of June 30, 2016, which represents an ownership interest of approximately 18.6% of the Cagent, has been accounted for at cost.

On December 4, 2015, we entered into a license agreement with ArraVasc Limited, an Irish medical device company, for the right to manufacture and sell certain percutaneous transluminal angioplasty balloon catheter products. As of December 31, 2015, we had paid $500,000 in connection with the license agreement. During the three-month period ended March 31, 2016, we paid an additional $500,000 as certain milestones set forth in the license agreement were met during that period. During the three-month period ended June 30, 2016, we paid an additional $500,000 as certain milestones set forth in the license agreement were met during that period. We are obligated to pay an additional $500,000 if additional milestones set forth in the license agreement are reached. We accounted for the transaction as an asset purchase and intend to amortize the license agreement intangible asset over a period of 12 years.

On July 14, 2015, we entered into an asset purchase agreement with Quellent, LLC, a California limited liability company ("Quellent"), for superabsorbent pad technology. The purchase price for the asset was $1.0 million, payable in two installments. We accounted for this acquisition as a business combination. The first payment of $500,000 was paid as of December 31, 2015, and the second payment of $500,000 was recorded as an accrued liability as of December 31, 2015 and paid in the first quarter of 2016. We also recorded $270,000 of contingent consideration related to royalties payable to Quellent pursuant to the asset purchase agreement as of December 31, 2015. The sales and results of operations related to this acquisition have been included in our cardiovascular segment since the acquisition date and were not material. The purchase price was allocated as follows: $1.21 million to a developed technology intangible asset and $60,000 to goodwill as of December 31, 2015. We intend to amortize the developed technology intangible asset over 13 years. The pro forma consolidated results of operations are not presented, as we believe the pro forma financial effect of the transaction is not material.

The goodwill arising from the acquisitions discussed above consists largely of the synergies and economies of scale we hope to achieve from combining the acquired assets and operations with our historical operations (see Note 12). The goodwill recognized from these acquisitions is expected to be deductible for income tax purposes.

6. Segment Reporting. We report our operations in two operating segments: cardiovascular and endoscopy. Our cardiovascular segment consists of cardiology and radiology medical device products which assist in diagnosing and treating coronary artery disease, peripheral vascular disease and other non-vascular diseases and includes embolotherapeutic, cardiac rhythm management ("CRM"), and electrophysiology ("EP") devices. Our endoscopy segment consists of gastroenterology and pulmonology medical device products which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors. We evaluate the performance of our operating segments based on operating income.

Financial information relating to our reportable operating segments and reconciliations to the consolidated totals for the three and six-month periods ended June 30, 2016 and 2015 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues				
Cardiovascular	$145,525	$132,789	$278,069	$257,552
Endoscopy	5,546	5,293	11,079	10,107
Total revenues	$151,071	138,082	$289,148	$267,659
Operating income				
Cardiovascular	10,880	11,258	17,529	19,327
Endoscopy	701	984	1,759	1,619
Total operating income	11,581	12,242	19,288	20,946

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7. Recent Accounting Pronouncements. In April 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-10, Revenue from Contracts with Customers (Topic 606), which amends certain aspects of the FASB's new revenue standard, ASU No. 2014-09, Revenue from Contracts with Customers. The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this ASU clarify the following two aspects of Topic 606: identifying performance obligations and the licensing implementation guidance, while retaining the related principles for those areas. The standard should be adopted concurrently with adoption of ASU No. 2014-09 which is effective for annual and interim periods beginning after December 15, 2017. We are assessing the impact this new standard is anticipated to have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 requires companies to record excess tax benefits and deficiencies in income rather than the current requirement to record them through equity. ASU 2016-09 also allows companies the option to recognize forfeitures of share-based awards when they occur rather than the current requirement to make an estimate upon the grant of the awards. ASU 2016-09 is effective for public companies for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption of ASU 2016-09 will be permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. We are assessing the impact ASU 2016-09 is anticipated to have on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which eliminates the current tests for lease classification under U.S. GAAP and requires lessees to recognize the right-to-use assets and related lease liabilities on the balance sheet for all leases greater than one year in duration. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. ASU 2016-02 provides that lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. We are assessing the impact ASU 2016-02 is anticipated to have on our consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which amends the guidance regarding the classification and measurement of financial instruments. Changes to the current guidance primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, ASU 2016-01 clarifies guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. ASU 2016-01 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is not permitted except for the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income. Upon adoption of ASU 2016-01, an entity should apply the amendments by means of a cumulative-effect adjustment to the balance sheet at the beginning of the first reporting period in which the guidance is effective. We are assessing the impact ASU 2016-01 is anticipated to have on our consolidated financial statements.

In November 2015, the FASB issued Accounting Standards Update ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which will require deferred tax assets and deferred tax liabilities to be presented as noncurrent within a classified balance sheet. ASU 2015-17 simplifies the current guidance which requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified balance sheet. The current requirement that deferred tax assets and liabilities of a tax-paying component of an entity

be offset and presented as a single amount is not affected. ASU 2015-17 is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period, and ASU 2015-17 may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. We have elected not to early adopt ASU 2015-17, and we are evaluating whether to apply the provisions prospectively or retrospectively upon adoption. We do not presently anticipate that the adoption of ASU 2015-17 will have a material impact on our financial statements.

In July 2015, the FASB issued ASU 2015-11, Simplifying the Measurement of Inventory. ASU 2015-11 requires that inventory be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory measured using last-in, first-out or the retail inventory method are excluded from the scope of ASU 2015-11 which is effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. We do not anticipate that the implementation of ASU 2015-11 will have a material impact on our consolidated financial statements.

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In May 2014, the FASB issued authoritative guidance amending the FASB Accounting Standards Codification and creating a new Topic 606, Revenue from Contracts with Customers. The new guidance clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP applicable to revenue transactions. This guidance provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The existing industry guidance will be eliminated when the new guidance becomes effective and annual disclosures will be substantially revised. Additional disclosures will also be required under the new standard. In July 2015, the FASB approved a proposal that extended the required implementation date one year to the first quarter of 2018 but also would permit companies to adopt the standard at the original effective date of January 1, 2017. Implementation of the new standard may be either through retrospective application to each period from the first quarter of 2016 or with a cumulative effect adjustment upon adoption in 2018. We are assessing the impact this new standard is anticipated to have on our consolidated financial statements.

8. Income Taxes. Our overall effective tax rate for the three months ended June 30, 2016 and 2015 was 26.1% and 29.7%, respectively, which resulted in a provision for income taxes of $2.6 million and $3.1 million, respectively. Our overall effective tax rate for the six months ended June 30, 2016 and 2015 was 26.2% and 30.1%, respectively, which resulted in a provision for income taxes of $4.1 million and $5.4 million, respectively. The decrease in the effective income tax rate for both periods, when compared to the prior year periods, was due primarily to the reinstatement of the federal research and development credit and a higher mix of earnings from our foreign operations, which are generally taxed at lower rates than our U.S. operations.

9. Long-term Debt. We entered into an Amended and Restated Credit Agreement, dated December 19, 2012, with the lenders who are or may become party thereto (collectively, the "Lenders") and Wells Fargo Bank, National Association ("Wells Fargo"), as administrative agent for the Lenders, which was amended on February 3, 2016 by a Third Amendment to the Amended and Restated Credit Agreement by and among Merit, certain subsidiaries of Merit, the Lenders and Wells Fargo as administrative agent for the Lenders (as amended, the "Credit Agreement"). Pursuant to the terms of the Credit Agreement, the Lenders have agreed to make revolving credit loans up to an aggregate amount of $225 million. The Lenders also made a term loan in the amount of $100 million, repayable in quarterly installments in the amounts provided in the Credit Agreement until the maturity date of December 19, 2017, at which time the term and revolving credit loans, together with accrued interest thereon, will be due and payable. In addition, certain mandatory prepayments are required to be made upon the occurrence of certain events described in the Credit Agreement. Wells Fargo has agreed, upon satisfaction of certain conditions, to make swingline loans from time to time through the maturity date in amounts equal to the difference between the amounts actually loaned by the Lenders and the aggregate revolving credit commitment. The Credit Agreement is collateralized by substantially all of our assets. At any time prior to the maturity date, we may repay any amounts owing under all revolving credit loans, term loans, and all swingline loans in whole or in part, subject to certain minimum thresholds, without premium or penalty, other than breakage costs.

The term loan and any revolving credit loans made under the Credit Agreement bear interest, at our election, at either (i) the base rate (described below) plus 0.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1), (ii) the London Inter-Bank Offered Rate (“LIBOR”) Market Index Rate (as defined in the Credit Agreement) plus 1.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1), or (iii) the LIBOR Rate (as defined in the Credit Agreement) plus 1.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1). Initially, the term loan and revolving credit loans under the Credit Agreement bear interest, at our election, at either (x) the base rate plus 1.00%, (y) the LIBOR Market Index Rate, plus 2.00%, or (z) the LIBOR Rate plus 2.00%. Swingline loans bear interest at the LIBOR Market Index Rate plus 1.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1). Initially, swingline loans bear interest at the LIBOR Market Index Rate plus 2.00%.

Interest on each loan featuring the base rate or the LIBOR Market Index Rate is due and payable on the last business day of each calendar month; interest on each loan featuring the LIBOR Rate is due and payable on the last day of each interest period selected by us when selecting the LIBOR Rate as the benchmark for interest calculation. For purposes of the Credit Agreement, the base rate means the highest of (i) the prime rate (as announced by Wells Fargo), (ii) the federal funds rate plus 0.50%, and (iii) LIBOR for an interest period of one month plus 1.00%.

The Credit Agreement contains customary covenants, representations and warranties and other terms customary for revolving credit loans of this nature. In this regard, the Credit Agreement requires us to not, among other things, (a) permit the Consolidated Total Leverage Ratio (as defined in the Credit Agreement) to be greater than 3.00 to 1 as of any fiscal quarter ending during 2015 and no more than 3.25 to 1 as of any fiscal quarter ending thereafter; (b) for any period of four consecutive fiscal quarters, permit the ratio of Consolidated EBITDA (as defined in the Credit Agreement and subject to certain adjustments) to Consolidated Fixed Charges (as defined in the Credit Agreement) to be less than 1.75 to 1; (c) subject to certain adjustments, permit Consolidated Net Income (as defined in the Credit Agreement) for certain periods to be less than $0; or (d) subject to certain conditions and adjustments, permit the aggregate amount of all Facility Capital Expenditures (as defined in the Credit Agreement) in any fiscal year beginning in 2013 to exceed $30 million. Additionally, the Credit Agreement contains various negative covenants with which

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we must comply, including, but not limited to, limitations respecting: the incurrence of indebtedness, the creation of liens or pledges on our assets, mergers or similar combinations or liquidations, asset dispositions, the repurchase or redemption of equity interests or debt, the issuance of equity, the payment of dividends and certain distributions, the entry into related party transactions and other provisions customary in similar types of agreements. As of June 30, 2016, we were in compliance with all covenants set forth in the Credit Agreement.

We had originally entered into an unsecured credit agreement, dated September 30, 2010, with certain lenders who were or became party thereto and Wells Fargo, as administrative agent for the lenders. Pursuant to the terms of that credit agreement, the lenders agreed to make revolving credit loans up to an aggregate amount of $175 million. Wells Fargo also agreed to make swingline loans from time to time through the maturity date of September 10, 2015 in amounts equal to the difference between the amount actually loaned by the lenders and the aggregate credit agreement. The unsecured credit agreement was amended and restated as of December 19, 2012, as the Credit Agreement.

In summary, principal balances under our long-term debt as of June 30, 2016 and December 31, 2015, consisted of the following (in thousands):

	June 30, 2016	December 31, 2015
Term loan	$59,962	$64,962
Revolving credit loans	171,757	142,631
Total long-term debt	231,719	207,593
Less current portion	10,000	10,000
Long-term portion	$221,719	$197,593

Future minimum principal payments on our long-term debt as of June 30, 2016, are as follows (in thousands):

Years Ending December 31	Future Minimum Principal Payments
2016	5,000
2017	226,719
Total future minimum principal payments	$231,719

As of June 30, 2016, we had outstanding borrowings of approximately $231.7 million under the Credit Agreement, with available borrowings of approximately $53.2 million, based on the leverage ratio in the terms of the Credit Agreement. Our interest rate as of June 30, 2016 was a fixed rate of 2.48% on $133.8 million as a result of an interest rate swap (see Note 10), a variable floating rate of 2.16% on approximately $98.0 million. Our interest rate as of December 31, 2015 was a fixed rate of 2.48% on $135.0 million as a result of an interest rate swap, variable floating rate of 1.74% on $65.8 million and a variable floating rate of 2.12% on approximately $6.8 million.

Subsequent to June 30, 2016, the Credit Agreement was amended and restated in its entirety. See Note 14.

10. Derivatives.

Interest Rate Swap. A portion of our debt bears interest at variable interest rates and, therefore, we are subject to variability in the cash paid for interest expense. In an effort to mitigate a portion of this risk, we use a hedging strategy to reduce the variability of cash flows in the interest payments associated with a portion of the variable-rate debt outstanding under the Credit Agreement that is solely due to changes in the benchmark interest rate.

On December 19, 2012, we entered into a pay-fixed, receive-variable interest rate swap having an initial notional amount of $150 million with Wells Fargo to fix the one-month LIBOR rate at 0.98%. The variable portion of the interest rate swap is tied to the one-month LIBOR rate (the benchmark interest rate). On a monthly basis, the interest rates under both the interest rate swap and the underlying debt reset, the swap is settled with the counterparty, and interest is paid. The notional amount of the interest rate swap is reduced quarterly by 50% of the minimum principal payment due under the terms of our Credit Agreement. The interest rate swap is scheduled to expire on December 19, 2017.

At June 30, 2016 and December 31, 2015, our interest rate swap qualified as a cash flow hedge. The fair value of our interest rate swap at June 30, 2016 was a liability of approximately $879,000, which was partially offset by approximately $342,000 in deferred

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taxes. The fair value of our interest rate swap at December 31, 2015 was an asset of approximately $2,000, which was offset by approximately $1,000 in deferred taxes.

During the three and six-month periods ended June 30, 2016 and June 30, 2015, the amounts reclassified from accumulated other comprehensive income to earnings due to hedge effectiveness were included in interest expense in the accompanying consolidated statements of income and were not material.

Foreign Currency Forward Contracts. We forecast our net exposure to various currencies and enter into foreign currency forward contracts in an effort to mitigate that exposure. As of June 30, 2016, we had entered into the following foreign currency forward contracts (amounts in thousands and in local currencies):

Currency	Symbol	Forward Notional Amount
Euro	EUR	835
British Pound	GBP	592
Chinese Yuan Renminbi	CNY	56,250
Mexican Peso	MXN	30,000
Brazilian Real	BRL	3,600
Australian Dollar	AUD	1,900
Hong Kong Dollar	HKD	11,000
Canadian Dollar	CAD	1,900

We enter into similar transactions at various times during the year to partially offset exchange rate risks we bear throughout the year. These contracts are marked to market at each month-end, and the fair value of our open positions at June 30, 2016 was not material.

On October 23, 2015, we entered into a foreign currency forward contract to partially offset the currency risk related to an intercompany loan denominated in CNY. The loan matures and the forward contract is deliverable on September 16, 2016. The notional amount of the forward contract is approximately 46.3 million CNY. This contract is marked to market at each month-end. The fair value of our open position as of June 30, 2016 was a liability of approximately $231,000.

The effect on our consolidated statements of income for the three-month periods ended June 30, 2016 and June 30, 2015 of all forward contracts was not material.

11. Fair Value Measurements. Our financial assets and (liabilities) carried at fair value measured on a recurring basis as of June 30, 2016 and December 31, 2015, consisted of the following (in thousands):

		Fair Value Measurements Using		
Description	Total Fair Value at June 30, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)
Interest rate contracts (1)	$ (879)	$ —	$ (879)	$ —
Foreign currency contracts (2)	$ (231)	$ —	$ (231)	$ —

		Fair Value Measurements Using		
Description	Total Fair Value at	Quoted prices in active markets	Significant other observable inputs (Level 2)	Significant Unobservable inputs (Level 3)

	December 31, 2015	(Level 1)		
Interest rate contracts (1)	$ 2	$ —	$ 2	$ —
Foreign currency contracts (2)	$ (278)	$ —	$ (278)	$ —

(1) The fair value of the interest rate contracts is determined using Level 2 fair value inputs and is recorded as other long-term obligations or other long-term assets in the Consolidated Balance Sheets.

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(2) The fair value of the foreign currency contracts is determined using Level 2 fair value inputs and is recorded as accrued expenses in the Consolidated Balance Sheets.

Certain of our business combinations involve the potential for the payment of future contingent consideration, generally based on a percentage of future product sales or upon attaining specified future revenue milestones. See Note 2 for further information regarding these acquisitions. The contingent consideration liability is re-measured at the estimated fair value at each reporting period with the change in fair value recognized within operating expenses in the accompanying consolidated statements of income. We measure the initial liability and re-measure the liability on a recurring basis using Level 3 inputs as defined under authoritative guidance for fair value measurements. Changes in the fair value of our contingent consideration liability during the three and six-month periods ended June 30, 2016 and 2015, consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Beginning balance	928	1,842	$1,024	$1,886
Fair value adjustments recorded to income during the period	(14)	121	57	243
Contingent payments made	(16)	(14)	(183)	(180)
Ending balance	$898	$1,949	$898	$1,949

The recurring Level 3 measurement of our contingent consideration liability includes the following significant unobservable inputs at June 30, 2016 and December 31, 2015 (amount in thousands):

Contingent consideration liability (asset)	Fair value at June 30, 2016	Valuation technique	Unobservable inputs	Range
Revenue-based payments	$ 898	Discounted cash flow	Discount rate	9.9% - 15%
			Probability of milestone payment	100%
			Projected year of payments	2016-2028
Contingent receivable	$ (576)	Discounted cash flow	Discount rate	10%
			Probability of milestone payment	62%
			Projected year of payments	2016-2019

Contingent consideration liability	Fair value at December 31, 2015	Valuation technique	Unobservable inputs	Range
Revenue-based payments	$ 874	Discounted cash flow	Discount rate	5% - 15%
			Probability of milestone payment	100%
			Projected year of payments	2016-2028
Other payments	$ 150	Discounted cash flow	Discount rate	—%
			Probability of milestone payment	100%
			Projected year of payments	2016

The contingent consideration liability is re-measured to fair value each reporting period using projected revenues, discount rates, probabilities of payment, and projected payment dates. Projected contingent payment amounts are discounted back to the current period using a discounted cash flow model. Projected revenues are based on our most recent internal operational budgets and long-range strategic plans. Increases (decreases) in discount rates and the time to payment may result in lower (higher) fair value measurements. A decrease in the probability of any milestone payment may result in lower fair value measurements. An increase (decrease) in either the discount rate or the time to payment, in isolation, may result in a significantly lower (higher) fair value measurement.

Our determination of the fair value of the contingent consideration liability could change in future periods based upon our ongoing evaluation of these significant unobservable inputs. We intend to record any such change in fair value to operating expenses as

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part of our cardiovascular segment in our consolidated statements of income. As of June 30, 2016, approximately $813,000 was included in other long-term obligations and $85,000 was included in accrued expenses in our consolidated balance sheet. As of December 31, 2015, approximately $775,000 was included in other long-term obligations and $249,000 was included in accrued expenses in our consolidated balance sheet. The cash paid to settle the contingent consideration liability recognized at fair value as of the acquisition date (including measurement-period adjustments) has been reflected as a cash outflow from financing activities in the accompanying consolidated statements of cash flows.

During the first quarter of 2016, we sold a cost method investment for cash and for the right to receive additional payments based on various contingent milestones. We determined the fair value of the contingent payments using the inputs indicated in the table above, and we recorded a contingent receivable asset, which as June 30, 2016 had a value of approximately $576,000. We record any changes in fair value to operating expenses as part of our cardiovascular segment in our consolidated statements of income. During the three months ended June 30, 2016, we recorded a loss on the contingent receivable of approximately $105,000. As of June 30, 2016, approximately $436,000 was included in other long-term assets and approximately $140,000 was included in other receivables as a current asset in our consolidated balance sheet.

During the three and six-month periods ended June 30, 2016, we had losses of approximately $90,000 and $90,000, compared to $0 and $14,000, respectively, for the three and six-month periods ended June 30, 2015, related to the measurement of non-financial assets at fair value on a nonrecurring basis subsequent to their initial recognition.

The carrying amount of cash and cash equivalents, receivables, and trade payables approximates fair value because of the immediate, short-term maturity of these financial instruments. The carrying amount of long-term debt approximates fair value, as determined by borrowing rates estimated to be available to us for debt with similar terms and conditions. The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs, with the exception of cash and cash equivalents, which are Level 1 inputs.

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12. Goodwill and Intangible Assets. The changes in the carrying amount of goodwill for the six months ended June 30, 2016 were as follows (in thousands):

	2016
Goodwill balance at January 1	$184,472
Effect of foreign exchange	7
Additions as the result of acquisitions	2,555
Goodwill balance at June 30	$187,034

As of June 30, 2016, we had recorded $8.3 million of accumulated goodwill impairment charges. All of the goodwill balance as of June 30, 2016 and December 31, 2015 related to our cardiovascular segment.

Other intangible assets at June 30, 2016 and December 31, 2015, consisted of the following (in thousands):

	June 30, 2016		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$12,914	$ (2,829)	$ 10,085
Distribution agreements	5,626	(3,148)	2,478
License agreements	20,194	(2,790)	17,404
Trademarks	7,974	(2,861)	5,113
Covenants not to compete	1,029	(903)	126
Customer lists	21,152	(15,771)	5,381
Royalty agreements	267	(267)	—
Total	$69,156	$ (28,569)	$ 40,587

	December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents	$12,014	$ (2,595)	$ 9,419
Distribution agreements	5,626	(2,853)	2,773
License agreements	19,109	(2,438)	16,671
Trademarks	7,259	(2,554)	4,705
Covenants not to compete	1,028	(873)	155
Customer lists	20,793	(15,023)	5,770
Royalty agreements	267	(267)	—
Total	$66,096	$ (26,603)	$ 39,493

Aggregate amortization expense for the three and six-month periods ended June 30, 2016 was approximately $4.0 million and $7.9 million, respectively, and approximately $3.7 million and $7.3 million for the three and six-month periods ended June 30, 2015, respectively.

Estimated amortization expense for the developed technology and other intangible assets for the next five years consists of the following as of June 30, 2016 (in thousands):

Year Ending December 31	
Remaining 2016	$9,313
2017	16,976
2018	16,429
2019	16,101
2020	15,117

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13. Commitments and Contingencies. In the ordinary course of business, we are involved in various claims and litigation matters. These claims and litigation matters may include actions involving product liability, intellectual property, contractual, and employment or other matters that are significant to our business. Based upon our review of currently available information, we do not believe that any such actions are likely to be, individually or in the aggregate, materially adverse to our business, financial condition, results of operations or liquidity. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to our business, financial condition, results of operations or liquidity. Legal costs for these matters, such as outside counsel fees and expenses, are charged to expense in the period incurred.

14. Subsequent Events. We have evaluated whether any subsequent events have occurred from June 30, 2016 to the time of filing of this report that would require disclosure in the consolidated financial statements. We note the following two events below.

Acquisition of DFINE

On July 6, 2016, we acquired DFINE, Inc., a medical device company headquartered in San Jose, California ("DFINE"), in a merger transaction through which DFINE became our wholly-owned subsidiary. The total merger consideration we paid in the transaction was approximately $97.5 million, which amount includes certain indebtedness and is subject to a working capital adjustment. We are currently evaluating the accounting treatment of this purchase, as well as performing the valuation of the assets acquired and the related purchase price allocation.

Second Amended and Restated Credit Agreement

In connection with the transactions contemplated by the DFINE acquisition referenced above, we entered into a Second Amended and Restated Credit Agreement, dated July 6, 2016 (the “Second Amended Credit Agreement”), with the lenders who are or may become party thereto (collectively, the “Lenders”), Wells Fargo Bank, National Association, as administrative agent (the “Agent”), swingline lender and a Lender, and Wells Fargo Securities, LLC, as sole lead arranger and sole bookrunner. The Second Amended Credit Agreement amends and restates in its entirety our previously outstanding Credit Agreement and all amendments thereto. In addition to Wells Fargo Bank, National Association, Bank of America, N.A., U.S. Bank, National Association, and HSBC Bank USA, National Association, are parties to the Second Amended Credit Agreement as Lenders. Pursuant to the terms of the Second Amended Credit Agreement, the Lenders have agreed to make a term loan in the amount of $150.0 million and revolving credit loans up to an aggregate amount of $275.0 million, of which $25.0 million will be reserved to make swingline loans from time to time.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Disclosure Regarding Forward-Looking Statements

This Report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements in this Report, other than statements of historical fact, are forward-looking statements for purposes of these provisions, including any projections of earnings, revenues or other financial items, any statements of the plans and objectives of our management for future operations, any statements concerning proposed new products or services, any statements regarding the integration, development or commercialization of the business or assets acquired from other parties, any statements regarding future economic conditions or performance, and any statements of assumptions underlying any

of the foregoing. All forward-looking statements included in this Report are made as of the date hereof and are based on information available to us as of such date. We assume no obligation to update any forward-looking statement. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “intends,” “believes,” “estimates,” “potential,” or “continue,” or the negative thereof or other comparable terminology. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Our actual results will likely vary, and may vary materially, from those projected or assumed in the forward-looking statements. Our financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including risks relating to product recalls and product liability claims; potential restrictions on our liquidity or our ability to operate our business within the term of our current credit agreement, and the consequences of any default under that agreement; possible infringement of our technology or the assertion that our technology infringes the rights of other parties; the potential imposition of fines, penalties, or other adverse consequences if our employees or agents violate the U.S. Foreign Corrupt Practices Act or other laws or regulations; expenditures relating to research, development, testing and regulatory approval or clearance of our

products and the risk that such products may not be developed successfully or approved for commercial use; greater governmental scrutiny and regulation of the medical device industry; reforms to the 510(k) process administered by the U.S. Food and Drug Administration (the "FDA"); laws targeting fraud and abuse in the healthcare industry; potential for significant adverse changes in, or our failure to comply with, governing regulations; increases in the price of commodity components; negative changes in economic and industry conditions in the United States and other countries; termination or interruption of relationships with our suppliers, or failure of such suppliers to perform; our potential inability to successfully manage growth through acquisitions, including the inability to commercialize technology acquired through recent, proposed or future acquisitions; fluctuations in exchange rates of EUR, CNY, GBP, BRL, MXN, CAD, and other foreign currencies relative to the U.S. Dollar; our need to generate sufficient cash flow to fund our debt obligations, capital expenditures, and ongoing operations; concentration of our revenues among a few products and procedures; development of new products and technology that could render our existing products obsolete; market acceptance of new products; volatility in the market price of our common stock; modification or limitation of governmental or private insurance reimbursement policies; changes in health care markets related to health care reform initiatives; failures to comply with applicable environmental laws; changes in key personnel; work stoppage or transportation risks; uncertainties associated with potential healthcare policy changes which may have a material adverse effect on our business and results of operations; introduction of products in a timely fashion; price and product competition; availability of labor and materials; cost increases; fluctuations in and obsolescence of inventory; and other factors referred to in Part II, Item 1A "Risk Factors" of this Report, Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015, and other materials filed with the Securities and Exchange Commission. All subsequent forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Financial estimates are subject to change and are not intended to be relied upon as predictions of future operating results, and we assume no obligation to update or disclose revisions to those estimates.

OVERVIEW

The following discussion and analysis of our financial condition and results of operation should be read in conjunction with the consolidated financial statements and related condensed notes thereto, which are included in Part I of this Report.

We design, develop, manufacture, and market medical products for interventional, diagnostic, and therapeutic procedures. For financial reporting purposes, we report our operations in two operating segments: cardiovascular and endoscopy. Our cardiovascular segment consists of cardiology and radiology devices, which assist in diagnosing and treating coronary arterial disease, peripheral vascular disease and other non-vascular diseases, as well as our embolotherapeutic, CRM, and EP products. Our endoscopy segment consists of gastroenterology and pulmonology devices which assist in the palliative treatment of expanding esophageal, tracheobronchial and biliary strictures caused by malignant tumors.

For the three months ended June 30, 2016, we reported sales of approximately $151.1 million, up approximately $13.0 million or 9.4%, over sales for the three months ended June 30, 2015 of approximately $138.1 million. For the six months ended June 30, 2016, we reported sales of approximately $289.1 million, up approximately $21.5 million or 8.0%, over sales for the six months ended June 30, 2015 of approximately $267.7 million.

Gross profit as a percentage of sales increased to 44.3% for the three-month period ended June 30, 2016 as compared to 44.1% for the three-month period ended June 30, 2015. Gross profit as a percentage of sales increased to 43.9% for the six-month period ended June 30, 2016 as compared to 43.4% for the six-month period ended June 30, 2015.

Net income for the three months ended June 30, 2016 was approximately $7.3 million, or $0.16 per share, as compared to $7.4 million, or $0.17 per share, for the quarter ended June 30, 2015. For the six-month period ended

June 30, 2016, net income was approximately $11.6 million, or $0.26 per share, as compared to $12.6 million, or $0.28 per share, for the six-month period ended June 30, 2015.

During February 2016, we purchased the HeROGraft device and other related assets from CryoLife, Inc., a developer of medical devices based in Kennesaw, GA, for $18.5 million. Sales for the HeROGraft device were approximately $2.1 million and $3.4 million for the three and six-month periods ended June 30, 2016, respectively.

On July 6, 2016, we acquired DFINE in a merger transaction through which DFINE became our wholly-owned subsidiary. The total merger consideration we paid in the transaction was approximately $97.5 million, which amount includes certain indebtedness and is subject to a working capital adjustment. DFINE's products are directed to vertebral augmentation (kyphoplasty and vertebralplasty), as well as targeted radiofrequency ablation of metastatic spinal tumors. See "The integration of the DFine business into our existing business will present significant challenges, which may harm our operations." set forth in Part II, Item 1A "Risk Factors" below.

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We continue to focus our efforts on expanding our presence in foreign markets, particularly Europe, Middle East and Africa, China, Southeast Asia, Japan, Brazil, Australia and Canada, in an effort to expand our market opportunities. These efforts have increased our selling, general and administrative expenses in the short term, but we believe over time they will help us improve our profitability.

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RESULTS OF OPERATIONS

The following table sets forth certain operational data as a percentage of sales for the three and six-month periods ended June 30, 2016 and 2015, as indicated:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net sales	100%	100%	100%	100%
Gross profit	44.3	44.1	43.9	43.4
Selling, general and administrative expenses	28.9	28.5	29.5	28.5
Research and development expenses	7.6	6.7	7.6	7.1
Contingent consideration expense	0.1	0.1	0.1	0.1
Income from operations	7.7	8.9	6.7	7.8
Other (expense) - net	(1.1)	(1.2)	(1.2)	(1.1)
Income before income taxes	6.5	7.6	5.5	6.7
Net income	4.8	5.4	4.0	4.7

Sales. Sales for the three months ended June 30, 2016 increased by 9.4%, or approximately $13.0 million, compared to the corresponding period of 2015. Sales for the six months ended June 30, 2016 increased by 8.0%, or approximately $21.5 million, compared to the corresponding period of 2015. Listed below are the sales by product category within each of our business segments for the three and six-month periods ended June 30, 2016 and 2015 (in thousands):

		Three Months Ended June 30,			Six Months Ended June 30,	
	% Change	2016	2015	% Change	2016	2015
Cardiovascular						
Stand-alone devices	17.5%	$46,394	$39,496	17.0%	$89,726	$76,674
Custom kits and procedure trays	—%	30,065	30,067	2.1%	58,944	57,753
Inflation devices	(0.1)%	18,691	18,701	(2.6)%	36,403	37,391
Catheters	19.5%	28,846	24,139	10.8%	52,745	47,596
Embolization devices	3.0%	11,948	11,603	3.3%	22,731	21,995
CRM/EP	9.1%	9,581	8,783	8.5%	17,520	16,143
Total	9.6%	145,525	132,789	8.0%	278,069	257,552
Endoscopy						
Endoscopy devices	4.8%	5,546	5,293	9.6%	11,079	10,107
Total	9.4%	$151,071	$138,082	8.0%	$289,148	$267,659

Our cardiovascular sales increased approximately $12.7 million, or 9.6%, for the three months ended June 30, 2016, on sales of approximately $145.5 million, compared to sales of $132.8 million for the corresponding period of 2015. Our cardiovascular sales increased approximately $20.5 million, or 8.0%, for the six months ended June 30, 2016, on sales of approximately $278.1 million, compared to sales of $257.6 million for the corresponding period of 2015. This improvement was largely the result of increased sales of our stand-alone devices (particularly our diagnostic guide wire product line, tubing product line and hydrophilic guide wire product line) and our catheters. The introduction of the HeROGraft product in the first quarter of 2016 also contributed to the increase in sales in the

cardiovascular segment for the periods presented. The decrease in sales of inflation devices for the periods presented was primarily due to reduced sales to a large OEM customer and two large distributors.

Our endoscopy sales increased 4.8% for the three months ended June 30, 2016, on sales of approximately $5.5 million, when compared to sales for the corresponding period of 2015 of approximately $5.3 million. Our endoscopy sales increased 9.6% for the six months ended June 30, 2016, on sales of approximately $11.1 million, when compared to sales for the corresponding period of 2015 of approximately $10.1 million. This increase was primarily related to an increase in sales of our EndoMAXX™ fully covered esophageal stent, as well as related to the introduction of our Elation® Balloon Dilator.

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Gross Profit. Gross profit as a percentage of sales increased to 44.3% for the three months ended June 30, 2016, compared to 44.1% for the corresponding period of 2015. Gross profit as a percentage of sales increased to 43.9% for the six months ended June 30, 2016, compared to 43.4% for the six months ended June 30, 2015. The increase in gross margin for the periods presented was primarily related to the increased focus on higher margin products and the suspension of the medical device tax in the United States.

Operating Expenses. Selling, general and administrative ("SG&A") expenses increased approximately $4.3 million, or 11.0%, for the three months ended June 30, 2016, compared to the three months ended June 30, 2015. As a percentage of sales, SG&A expenses increased to 28.9% of sales for the three months ended June 30, 2016, compared to 28.5% of sales for the three months ended June 30, 2015. For the six months ended June 30, 2016, SG&A expenses as a percentage of sales increased to 29.5%, compared to 28.5% for the six months ended June 30, 2015. The increase in SG&A expense in both periods was primarily related to increased acquisition costs, severance expenses and foreign market expansion costs, which were partially offset by decreases of approximately $262,000 for the three months ended June 30, 2016 and approximately $780,000 for the six months ended June 30, 2016 in our foreign currency-denominated SG&A expense, which in turn was due primarily to the strengthening of the U.S. Dollar against the Euro during the three and six months ended June 30, 2016 compared to the three and six months ended June 30, 2016.

Research and Development Expenses. Research and development ("R&D") expenses were 7.6% of sales for the three months ended June 30, 2016, compared to 6.7% of sales for the three months ended June 30, 2015. Research and development expenses were 7.6% of sales for the six months ended June 30, 2016, compared to 7.1% of sales for the six months ended June 30, 2015. The increase in both periods was largely due to hiring of additional research and development personnel to support various new product developments.

Operating Income. The following table sets forth our operating income by business segment for the three and six-month periods ended June 30, 2016 and 2015 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Operating Income				
Cardiovascular	10,880	11,258	17,529	19,327
Endoscopy	701	984	1,759	1,619
Total operating income	11,581	12,242	19,288	20,946

Cardiovascular Operating Income. During the three months ended June 30, 2016, we reported income from operations of approximately $10.9 million from our cardiovascular business segment, compared to income from operations from this segment of approximately $11.3 million for the corresponding period of 2015. The decrease in operating income in our cardiovascular segment was primarily the result of increased SG&A expenses relating to increased acquisition costs and increased R&D expenses, which were partially offset by a decrease of approximately $262,000 for the three months ended June 30, 2016 in our foreign currency-denominated SG&A expense, due primarily to the strengthening of the U.S. Dollar against the Euro during the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

During the six months ended June 30, 2016, we reported income from operations of approximately $17.5 million from our cardiovascular business segment, compared to income from operations from this segment of approximately $19.3 million for the corresponding period of 2015. The decrease in operating income in our cardiovascular segment was primarily the result of increased SG&A expenses relating to increased acquisition costs and increased R&D expenses,

which were partially offset by a decrease of approximately $780,000 for the six months ended June 30, 2016 in our foreign currency-denominated SG&A expense, due primarily to the strengthening of the U.S. Dollar against the Euro during the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

Endoscopy Operating Income. During the three months ended June 30, 2016, we reported income from operations of approximately $701,000 from our endoscopy business segment, compared to income from operations from this segment of approximately $984,000 for the corresponding period of 2015. The decrease in operating income in our endoscopy segment was primarily the result of higher SG&A and R&D expenses as a percentage of sales.

During the six months ended June 30, 2016, we reported income from operations of approximately $1.8 million from our endoscopy business segment, compared to income from operations from this segment of approximately $1.6 million for the corresponding

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period of 2015. The increase in operating income in our endoscopy segment was primarily the result of higher sales and gross profits, as well as SG&A expenses as a percentage of sales.

Other Expense - Net. Other expense, net, for the three months ended June 30, 2016 was approximately $1.7 million, compared to other expense, net, of approximately $1.7 million for the corresponding period of 2015. Other expense, net, for the six months ended June 30, 2016 was approximately $3.5 million, compared to other expense, net, of approximately $3.0 million for the corresponding period of 2015. The increase in other expense was principally the result of losses on changes in foreign exchange rates.

Income Taxes. Our overall effective tax rate for the three months ended June 30, 2016 and 2015 was 26.1% and 29.7%, respectively, which resulted in a provision for income taxes of $2.6 million and $3.1 million, respectively. Our overall effective tax rate for the six months ended June 30, 2016 and 2015 was 26.2% and 30.1%, respectively, which resulted in a provision for income taxes of $4.1 million and $5.4 million, respectively. The decrease in the effective income tax rate for both periods was due primarily to the reinstatement of the federal research and development credit and a higher mix of earnings from our foreign operations, which are generally taxed at lower rates than our U.S. operations.

Net Income. During the three months ended June 30, 2016, we reported net income of $7.3 million, a decrease of approximately 1.5% from $7.4 million for the corresponding period of 2015. During the six months ended June 30, 2016, we reported net income of $11.6 million, a decrease of approximately 7.4% from $12.6 million for the corresponding period of 2015.The decrease in net income was primarily due to higher operating expenses and research and development expenses as a percentage of sales and losses resulting from changes in foreign exchange rates, and was partially offset by higher gross margins and a lower effective income tax rate.

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LIQUIDITY AND CAPITAL RESOURCES

Capital Commitments and Contractual Obligations

Our working capital as of June 30, 2016 and December 31, 2015 was approximately $134.9 million and $116.1 million, respectively. The increase in working capital as of June 30, 2016 compared to December 31, 2015 was primarily the result of increases in cash, trade receivables, and inventories, as well as a decrease in trade payables, which were partially offset by an increase in accrued expenses and a decrease in other receivables. As of June 30, 2016, we had a current ratio of 2.59 to 1.

At June 30, 2016 and December 31, 2015, we had cash and cash equivalents of approximately $10.5 million and $4.2 million respectively, of which $9.2 million and $3.7 million, respectively, were held by foreign subsidiaries. For each of our foreign subsidiaries, we make an evaluation as to whether the earnings are intended to be repatriated to the United States or held by the foreign subsidiary for permanent reinvestment. The cash held by our foreign subsidiaries for permanent reinvestment is used to fund the operating activities of our foreign subsidiaries and for further investment in foreign operations. A deferred tax liability has been accrued for the earnings that are available to be repatriated to the United States.

In addition, cash held by our subsidiary in China is subject to local laws and regulations that require government approval for the transfer of such funds to entities located outside of China. As of June 30, 2016 and December 31, 2015, we had cash and cash equivalents of approximately $2.0 million and $1.7 million, respectively, held by our subsidiary in China.

During the six months ended June 30, 2016, our inventory balance increased approximately $3.9 million, from approximately $106.0 million at December 31, 2015 to approximately $109.9 million at June 30, 2016. The increase in the inventory balance was due to several factors, including our acquisition of the HeROGraft device and increases in raw materials and work in process, as well as the launch of our direct sales activities in Canada, and was partially offset by a decrease in our finished good inventory as a result of increased sales. The trailing twelve months inventory turns as of June 30, 2016 decreased to 3.09, compared to 3.30 as of June 30, 2015.
Pursuant to the terms of the Credit Agreement, the Lenders have agreed to make revolving credit loans up to an aggregate amount of $225 million. The Lenders also made a term loan in the amount of $100 million, repayable in quarterly installments in the amounts provided in the Credit Agreement until the maturity date of December 19, 2017, at which time the term and revolving credit loans, together with accrued interest thereon, will be due and payable. In addition, certain mandatory prepayments are required to be made upon the occurrence of certain events described in the Credit Agreement. Wells Fargo has agreed, upon satisfaction of certain conditions, to make swingline loans from time to time through the maturity date in amounts equal to the difference between the amounts actually loaned by the Lenders and the aggregate revolving credit commitment. The Credit Agreement is collateralized by substantially all of our assets. At any time prior to the maturity date, we may repay any amounts owing under all revolving credit loans, term loans, and all swingline loans in whole or in part, subject to certain minimum thresholds, without premium or penalty, other than breakage costs.

The term loan and any revolving credit loans made under the Credit Agreement bear interest, at our election, at either (i) the base rate (described below) plus 0.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1), (ii) the LIBOR Market Index Rate (as defined in the Credit Agreement) plus 1.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1), or (iii) the LIBOR Rate (as defined in the Credit Agreement) plus 1.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1). Initially, the term loan and revolving credit loans under the Credit Agreement bear interest, at our election, at either (x) the base rate plus 1.00%, (y) the LIBOR Market Index Rate, plus 2.00%, or (z) the LIBOR

Rate plus 2.00%. Swingline loans bear interest at the LIBOR Market Index Rate plus 1.25% (subject to adjustment if the Consolidated Total Leverage Ratio, as defined in the Credit Agreement, is at or greater than 2.25 to 1). Initially, swingline loans bear interest at the LIBOR Market Index Rate plus 2.00%. Interest on each loan featuring the base rate or the LIBOR Market Index Rate is due and payable on the last business day of each calendar month; interest on each loan featuring the LIBOR Rate is due and payable on the last day of each interest period selected by us when selecting the LIBOR Rate as the benchmark for interest calculation. For purposes of the Credit Agreement, the base rate means the highest of (i) the prime rate (as announced by Wells Fargo), (ii) the federal funds rate plus 0.50%, and (iii) LIBOR for an interest period of one month plus 1.00%.

The Credit Agreement contains customary covenants, representations and warranties and other terms customary for revolving credit loans of this nature. In this regard, the Credit Agreement requires us to not, among other things, (a) permit the Consolidated Total Leverage Ratio (as defined in the Credit Agreement) to be greater than 4.75 to 1 through the end of 2013, no more than 4.00 to 1 as of the fiscal quarter ending March 31, 2014, no more than 3.75 to 1 as of the fiscal quarter ending June 30, 2014, no more than 3.50 to 1 as of the fiscal quarter ending September 30, 2014, no more than 3.25 to 1 as of the fiscal quarter ending December

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31, 2014, no more than 3.00 to 1 as of any fiscal quarter ending during 2015, and no more than 3.25 to 1 as of any fiscal quarter ending thereafter; (b) for any period of four consecutive fiscal quarters, permit the ratio of Consolidated EBITDA (as defined in the Credit Agreement and subject to certain adjustments) to Consolidated Fixed Charges (as defined in the Credit Agreement) to be less than 1.75 to 1; (c) subject to certain adjustments, permit Consolidated Net Income (as defined in the Credit Agreement) for certain periods to be less than $0; or (d) subject to certain conditions and adjustments, permit the aggregate amount of all Facility Capital Expenditures (as defined in the Credit Agreement) in any fiscal year beginning in 2013 to exceed $30 million. Additionally, the Credit Agreement contains various negative covenants with which we must comply, including, but not limited to, limitations respecting: the incurrence of indebtedness, the creation of liens or pledges on our assets, mergers or similar combinations or liquidations, asset dispositions, the repurchase or redemption of equity interests and debt, the issuance of equity, the payment of dividends and certain distributions, the entrance into related party transactions and other provisions customary in similar types of agreements. As of June 30, 2016, we were in compliance with all covenants set forth in the Credit Agreement.

As of June 30, 2016, we had outstanding borrowings of approximately $231.7 million under the Credit Agreement, with available borrowings of approximately $53.2 million, based on the leverage ratio in the terms of the Credit Agreement. Our interest rate as of June 30, 2016 was a fixed rate of 2.48% on $133.8 million as a result of an interest rate swap (see Note 10), a variable floating rate of 2.16% on approximately $98.0 million. Our interest rate as of December 31, 2015 was a fixed rate of 2.48% on $135.0 million as a result of an interest rate swap, variable floating rate of 1.74% on $65.8 million and a variable floating rate of 2.12% on approximately $6.8 million.

Cash used in investing activities was approximately $43.9 million for the six months ended June 30, 2016, compared to approximately $26.5 million for the six months ended June 30, 2015, an increase of approximately $17.5 million. This increase was primarily a result of more cash paid for acquisitions during the six months ended June 30, 2016 compared to the six months ended June 30, 2105, principally the $18.5 million paid in the acquisition of the HeROGraft device and other related assets from CryoLife, Inc. (see Note 5 of the condensed notes to our consolidated financial statements). Capital expenditures for property and equipment were approximately $21.2 million and $25.4 million, respectively, for the six-month periods ended June 30, 2016 and 2015, a decrease of approximately $4.1 million.

Cash provided by financing activities for the six-month period ended June 30, 2016 was approximately $24.7 million, compared to cash used in financing actives of approximately $9.0 million for the six-month period ended ended June 30, 2015, a change of approximately $33.7 million. This change was primarily the result of increased debt financing related to acquisitions, principally our acquisition of the HeROGraft device and other related assets, as well as reduced proceeds from the issuance of common stock, during the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

We currently believe that our existing cash balances, anticipated future cash flows from operations, equipment financing and borrowings under the Credit Agreement, as amended and restated, will be adequate to fund our current and currently planned future operations for the next twelve months and the foreseeable future.

On July 6, 2016, we acquired DFINE, Inc., a medical device company headquartered in San Jose, California ("DFINE"), in a merger transaction through which DFINE became our wholly-owned subsidiary. The total merger consideration we paid in the transaction was approximately $97.5 million, which amount includes certain indebtedness and is subject to a working capital adjustment. We are currently evaluating the accounting treatment of this purchase, as well as performing the valuation of the assets acquired and the related purchase price allocation.

In connection with the transactions contemplated by the DFINE acquisition referenced above, we entered into a Second Amended and Restated Credit Agreement, dated July 6, 2016 (the “Second Amended Credit Agreement”), with

the lenders who are or may become party thereto (collectively, the “Lenders”), Wells Fargo Bank, National Association, as administrative agent (the “Agent”), swingline lender and a Lender, and Wells Fargo Securities, LLC, as sole lead arranger and sole bookrunner. The Second Amended Credit Agreement amends and restates in its entirety our previously outstanding Amended and Restated Credit Agreement and all amendments thereto. In addition to Wells Fargo Bank, National Association, Bank of America, N.A., U.S. Bank, National Association, and HSBC Bank USA, National Association, are parties to the Second Amended Credit Agreement as Lenders. Pursuant to the terms of the Second Amended Credit Agreement, the Lenders have agreed to make a term loan in the amount of $150.0 million and revolving credit loans up to an aggregate amount of $275.0 million, of which $25.0 million will be reserved to making swingline loans from time to time. See “The agreements and instruments governing our long-term debt contain restrictions, limitations and default remedies that could significantly affect our ability to operate our business, our liquidity and our ability to continue as a going concern.” set forth in Part II, Item 1A “Risk Factors” below.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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The SEC has requested that all registrants address their most critical accounting policies. The SEC has indicated that a "critical accounting policy" is one which is both important to the representation of the registrant's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We base our estimates on past experience and on various other assumptions our management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results will differ, and may differ materially from these estimates under different assumptions or conditions. Additionally, changes in accounting estimates could occur in the future from period to period. Our management has discussed the development and selection of our most critical financial estimates with the audit committee of our Board of Directors. The following paragraphs identify our most critical accounting policies:

Inventory Obsolescence. Our management reviews on a quarterly basis inventory quantities on hand for unmarketable and/or slow-moving products that may expire prior to being sold. This review includes quantities on hand for both raw materials and finished goods. Based on this review, we provide adjustments for any slow-moving finished good products or raw materials that we believe will expire prior to being sold or used to produce a finished good and any products that are unmarketable. This review of inventory quantities for unmarketable and/or slow moving products is based on forecasted product demand prior to expiration lives.

Forecasted unit demand is derived from our historical experience of product sales and production raw material usage. If market conditions become less favorable than those projected by our management, additional inventory write-downs may be required. During the years ended December 31, 2015, 2014 and 2013, we recorded obsolescence expense of approximately $2.8 million, $2.3 million, and $2.7 million, respectively, and wrote off approximately $2.5 million, $2.4 million, and $2.8 million, respectively. Based on this historical trend, we believe that our inventory balances as of June 30, 2016 have been accurately adjusted for any unmarketable and/or slow moving products that may expire prior to being sold.

Allowance for Doubtful Accounts. A majority of our receivables are with hospitals which, over our history, have demonstrated favorable collection rates. Therefore, we have experienced relatively minimal bad debts from hospital customers. In limited circumstances, we have written off bad debts as the result of the termination of our business relationships with foreign distributors. The most significant write-offs over our history have come from U.S. custom procedure tray manufacturers who bundle our products in surgical trays.

We maintain allowances for doubtful accounts relating to estimated losses resulting from the inability of our customers to make required payments. These allowances are based upon historical experience and a review of individual customer balances. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Stock-Based Compensation. We measure stock-based compensation cost at the grant date based on the value of the award and recognize the cost as an expense over the term of the vesting period. Judgment is required in estimating the fair value of share-based awards granted and their expected forfeiture rate. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

Income Taxes. Under our accounting policies, we initially recognize a tax position in our financial statements when it becomes more likely than not that the position will be sustained upon examination by the tax authorities. Such tax positions are initially and subsequently measured as the largest amount of tax positions that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authorities assuming full knowledge of the position and all relevant facts. Although we believe our provisions for unrecognized tax positions are reasonable, we can make no assurance that the final tax outcome of these matters will not be different from that which we have reflected in our income tax provisions and accruals. The tax law is subject to varied interpretations, and we have taken positions

related to certain matters where the law is subject to interpretation. Such differences could have a material impact on our income tax provisions and operating results in the period(s) in which we make such determination.

Goodwill and Intangible Assets Impairment and Contingent Consideration. We test our goodwill balances for impairment as of July 1 of each year, or whenever impairment indicators arise. We utilize several reporting units in evaluating goodwill for impairment. We assess the estimated fair value of reporting units using a combination of a market-based approach with a guideline public company method and a discounted cash flow method. If the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an impairment charge is recognized in an amount equal to the excess of the carrying amount of the reporting unit goodwill over implied fair value of that goodwill. This analysis requires significant judgment, including estimation of future cash flows and the length of time they will occur, which is based on internal forecasts, and a determination of a discount rate based on our weighted average cost of capital. During our annual test of goodwill balances in 2015, which was completed during the

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third quarter of 2015, we determined that the fair value of each reporting unit with goodwill exceeded the carrying amount by a significant amount.

We evaluate the recoverability of intangible assets whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. This analysis requires similar significant judgments as those discussed above regarding goodwill, except that undiscounted cash flows are compared to the carrying amount of intangible assets to determine if impairment exists. All of our intangible assets are subject to amortization.

Contingent consideration is an obligation by the buyer to transfer additional assets or equity interests to the former owner upon reaching certain performance targets. Certain of our business combinations involve the potential for the payment of future contingent consideration, generally based on a percentage of future product sales or upon attaining specified future revenue milestones. In connection with a business combination, any contingent consideration is recorded on the acquisition date based upon the consideration expected to be transferred in the future. We utilize a discounted cash flow method, which includes a probability factor for milestone payments, in valuing the contingent consideration liability. We re-measure the estimated liability each quarter and record changes in the estimated fair value through operating expense in our consolidated statements of income. Significant increases or decreases in our estimates could result in changes to the estimated fair value of our contingent consideration liability, as the result of changes in the timing and amount of revenue estimates, as well as changes in the discount rate or periods.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency Risk. Our principal market risk relates to changes in the value of the Euro (EUR), Chinese Yuan Renminbi (CNY), and British Pound (GBP) relative to the value of the U.S. Dollar (USD). We also have a limited market risk relating to the Hong Kong Dollar (HKD), Mexican Peso (MXN), Australian Dollar (AUD), Canadian Dollar (CAD), Brazilian Real (BRL), and the Swedish and Danish Kroner. Our consolidated financial statements are denominated in, and our principal currency is, the U.S. Dollar. For the three-month period ended June 30, 2016, a portion of our revenues (approximately $39.6 million, representing approximately 26% of our aggregate revenues), was attributable to sales that were denominated in foreign currencies. All other international sales were denominated in U.S. Dollars. Our Euro-denominated revenue represents our largest single currency risk. However, our Euro-denominated expenses associated with our European operations (manufacturing sites, a distribution facility and sales representatives) provide a natural hedge. Accordingly, changes in the Euro, and in particular a strengthening of the U.S. Dollar against the Euro, will positively affect our net income. A strengthening U.S. dollar against the Euro of 10% would increase net income by approximately $3.0 million dollars on an annual basis. Conversely, a weakening U.S. dollar against the Euro of 10% would decrease net income by approximately $3.0 million dollars on an annual basis. A strengthening U.S. dollar against the CNY of 10% would decrease net income by approximately $4.0 million dollars on an annual basis. Conversely, a weakening U.S. dollar against the CNY of 10% would increase net income by approximately $4.0 million dollars on an annual basis. During the three-month period ended June 30, 2016, exchange rate fluctuations of foreign currencies against the U.S. Dollar resulted in a decrease in our gross revenues of approximately $638,000, or 0.4%, and a decrease of 1.1% in gross profit, primarily as a result of unfavorable impacts to revenue due to sales denominated in CNY, GBP, and BRL, partially offset by favorable impacts due to increases in Irish manufacturing costs denominated in EUR.

We forecast our net exposure to various currencies and enter into foreign currency forward contracts to mitigate that exposure. As of June 30, 2016, we had entered into the following foreign currency forward contracts (amounts in thousands and in local currencies):

Currency	Symbol	Forward Notional Amount
Euro	EUR	835
British Pound	GBP	592
Chinese Yuan Renminbi	CNY	56,250
Mexican Peso	MXN	30,000
Brazilian Real	BRL	3,600
Australian Dollar	AUD	1,900
Hong Kong Dollar	HKD	11,000
Canadian Dollar	CAD	1,900

We enter into similar transactions at various times during the year to partially offset exchange rate risks we bear throughout the year. These contracts are marked to market at each month-end.

On October 23, 2015, we entered into a foreign currency forward contract to partially offset the currency risk related to an intercompany loan denominated in CNY. The loan matures and the forward contract is deliverable on September 16, 2016. The notional amount of the forward contract is approximately 46.3 million CNY. This contract is marked to market at each month-end.

The effect on our consolidated statements of income for the three-month periods ended June 30, 2016 and June 30, 2015 of all forward contracts, and the fair value of our open positions at June 30, 2016, were not material.

Interest Rate Risk. As discussed in Note 9 to our consolidated financial statements, as of June 30, 2016, we had outstanding borrowings of approximately $231.7 million under the Credit Agreement. Accordingly, our earnings and after-tax cash flow are affected by changes in interest rates. As part of our efforts to mitigate interest rate risk, on

December 19, 2012, we entered into a LIBOR-based interest rate swap agreement having an initial notional amount of $150.0 million with Wells Fargo to fix the one-month LIBOR rate at 0.98%. As of June 30, 2016, a notional amount of $133.8 million remained on the interest rate swap agreement, which expires on December 19, 2017. This instrument is intended to reduce our exposure to interest rate fluctuations and was not entered into for speculative purposes. Excluding the amount that is subject to a fixed rate under the interest rate swap and assuming the current level of borrowings remained the same, it is estimated that our interest expense and income before income taxes would change by approximately $980,000 annually for each one percentage point change in the average interest rate under these borrowings.

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In the event of an adverse change in interest rates, our management would likely take actions to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, additional analysis is not possible at this time. Further, such analysis would not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 30, 2016. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2016, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934).

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 13 “Commitments and Contingencies” set forth in the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report.

ITEM 1A. RISK FACTORS

In addition to other information set forth in this Report, readers should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2015 (the "Form 10-K"), which could materially affect our business, financial condition or future results. The risks described in our Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or operating results.

The risk factors identified in Part I, Item 1A of the Form 10-K are supplemented by the following additional risk factors:

We may be unable to manage rapid increases in the demand for our products, particularly if the increase may not be sustained.

Due to regulatory issues experienced by a competitor, we have recently experienced an increase in demand for certain of our products. We do not know whether this increase will be short-term, medium-term or sustained, nor can we presently estimate the amount of the increase. As a result of this increase, demand for those products may exceed our inventory and manufacturing capacity. In response to the development, we have increased capacity at some of our existing facilities; however, this increase may not be sufficient to meet demand and could place stress on our human and other resources. It may also place stress on our relationships with third-party suppliers. In the short term, we cannot outsource this manufacturing because our products need to be manufactured to exact specifications, in a clean environment and by a manufacturer that satisfies certain regulatory requirements. This is forcing us to make allocation decisions among existing and new customers. We may be unable to efficiently manage this increase in demand for certain products. Failure to efficiently manage the situation could result in the loss of skilled employees or damage our existing supply relationships. A rapid increase in production may also lead to failures in our internal controls, including those related to quality, operations or financial reporting. Any such failures on our part may result in long-term declines in our profitability and results of operations.

The agreements and instruments governing our long-term debt contain restrictions, limitations and default remedies that could significantly affect our ability to operate our business, our liquidity and our ability to continue as a going concern.

We entered into the Second Amended Credit Agreement with certain lenders and Wells Fargo Bank, National Association as administrative agent, in connection with our acquisition by merger of DFINE. The Second Amended Credit Agreement contains a number of significant covenants that could limit or restrict our ability to operate our business, our liquidity or our results of operations. These covenants restrict, among other things, our incurrence of indebtedness, creation of liens or pledges on our assets, mergers or similar combinations or liquidations, asset dispositions, repurchases or redemptions of equity interests or debt, issuances of equity, payment of dividends and certain distributions, and entry into related party transactions.

We have pledged substantially all of our assets as collateral for the Second Amended Credit Agreement. Our breach of any covenant in the Second Amended Credit Agreement, not otherwise cured, waived or amended, could result in a default under the Second Amended Credit Agreement and could trigger acceleration of underlying obligations. The administrative agent and lenders under the Second Amended Credit Agreement have available to them the remedies typically available to lenders and secured parties, including the ability to foreclose on the collateral we have pledged. Any default under the Second Amended Credit Agreement would at a minimum harm ability to service our debt and to fund our prospective capital expenditures and ongoing operations. It could lead to an acceleration of indebtedness and foreclosure on our assets.

The Second Amended Credit Agreement provides for a total potential borrowing base of $425.0 million, which is $100.0 million more than the aggregate amount we were permitted to borrow under our prior Credit Agreement. As a result of this increase in indebtedness, it may be more difficult for us to comply with leverage ratios and other restrictive covenants. We may also have less cash available for operations and investments in our business, as we will be required to use additional cash to satisfy the minimum payments obligations associated with this increased indebtedness.

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The integration of the DFINE business into our existing business will present significant challenges, which may harm our operations.

We may be unable to realize anticipated benefits, and may experience losses, in connection with our acquisition of DFINE. Prior to the acquisition, DFINE was not profitable or cash flow positive. In an effort to make the DFINE operations accretive to our results of operations, we plan to reduce the number of employees at DFINE, have our existing employees assume certain sales and other functions and consolidate a significant portion of the manufacturing activities related to the DFINE products, all without losing important supplier or customer relationships or experiencing a reduction in product quality. We also need to retain and integrate certain key employees and suppliers that are important for the continuation and success of the DFINE business. Although we anticipate delays, the loss of certain employees, suppliers or customers, culture clashes, unbudgeted costs and other issues at certain levels, we may experience any or all of such problems at levels that are more severe or more prolonged than anticipated. In addition, we may experience problems that can be associated with any acquisition in our industry, such as regulatory, infringement, product liability, discrimination or other legal claims or issues. If any such problems or issues arise, we may lose all or part of our investment in DFINE or fail to realize anticipated benefits.

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ITEM 6. EXHIBITS

Exhibit No.	Description
2.1	Agreement and Plan of Merger by and among Merit, MMS Transaction Co., a wholly-owned subsidiary of Merit, DFine Inc., certain preferred stockholders and Shareholder Representative Services LLC as a stockholder representative*
10.1	Second Amended and Restated Credit Agreement dated July 6, 2016 with the Lenders party thereto and Wells Fargo Bank, National Association
10.2	Form of Indemnification Agreement, dated June 13, 2016, between the Company and each of the following individuals: Fred P. Lampropoulos, Kent W. Stanger, Nolan E. Karras, A. Scott Anderson, Richard W. Edelman, Franklin J. Miller, M.D., Michael E. Stillabower, M.D., F. Ann Millner, Ed. D., Bernard J. Birkett, Ronald A. Frost, Joseph C. Wright, Justin J. Lampropoulos, and Brian G. Lloyd**
10.3	Form of Employment Agreement, dated May 26, 2016 between the Company and each of the following individuals: Bernard J. Birkett, Ronald A. Frost, Joseph C. Wright, Justin J. Lampropoulos, and Brian G. Lloyd**
10.4	Employment Agreement, dated May 26, 2016 between the Company and Fred P. Lampropoulos**
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from the quarterly report on Form 10-Q of Merit Medical Systems, Inc. for the quarter ended June 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Income, (ii) Consolidated Balance Sheets, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to the Consolidated Financial Statements

* Certain portions of this exhibit have been omitted pursuant to Rule 24b-z and are subject to a confidential treatment request.

** Management compensation agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERIT MEDICAL SYSTEMS, INC.
REGISTRANT
Date: August 8, 2016 /s/ FRED P. LAMPROPOULOS

FRED P. LAMPROPOULOS
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Date: August 8, 2016 /s/ BERNARD J. BIRKETT
BERNARD J. BIRKETT
CHIEF FINANCIAL OFFICER

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Construction of the 1,500 foot Deep Rock Creek Project access tunnel can also begin once full mining operations commence. This tunnel will be a tracked haulageway. The rate of progress will be determined by the amount of time required to complete the maintenance program in the Ruby tunnel beyond the "Daylight Turn" where the Deep Rock Creek Access Tunnel begins. This maintenance will also be required prior to constructing the Big Bend Bypass Raise to the Black Channel workings. This maintenance work was completed in the third quarter of 2013. Construction of the Big Bend Bypass Raise is currently in progress as of the date of this registration statement. The Company has commenced bulk sampling operations in the White Channel section of the Ruby tunnel, which as of the date of this prospectus is resuming following a four month re-evaluation. On June 9, 2014, a drilling program commenced to locate new channels and mining targets identified from recent geological mapping and a gravity survey. This effort has proven successful, as at least one new channel has been verified as of the date of this prospectus. The estimated cost of the drilling program once it concludes this month is expected to be approximately $50,000. As of the date of this prospectus, an estimated start date or budget for the Deep Rock Creek Project access tunnel has not been determined.

The mining plan anticipates a "herring bone" drift pattern for exploitation of the channels. A central tunnel (known as a "drift") will be driven following the gut (deepest part) of the channel. This drift will be continued until the end of the channel is reached and the length of the resource has been defined. Regularly spaced crosscuts (known as "crosscut drifts") will be driven out on each side of the central drift to determine the width of the channel.

The material mined from these drifts will be washed in the placer plant. Careful records of the gold recovery will also provide a grade for the material "blocked out" in this process, thereby developing a proven resource to be mined in the production phase of the mining plan.

The Ruby Mine typically experiences considerable snow fall, and a decrease in activity is planned for during the winter months of Year 1. It is expected that the Ruby will operate year-round once the operation is well established.

Operational Considerations

The southern working area, the Deep Rock Creek Project, is accessible by the Ruby Tunnel, which is equipped with 30 lb. rail and 4" Victaulic steel compressed air pipe. The northern area, the Lawry Shaft Project, will be mined by LHD's from the existing tunnel system.

On the north end, entry to the mine is through the Lawry Shaft which has a steel headframe and a complete hoist house and hoisting facilities for men and materials. There are two LHD's with 1 yd. buckets underground. There is a 40 hp. fan and a secondary ventilation fan with fan line as well as water and compressed air lines and electrical service underground. Electricity in this area is provided by PG&E and a 150 kw diesel generator providing backup power. A 250 cfm electric compressor located on the surface provides compressed air.

The south end of the mine is accessible by a portal. Electricity is provided by 250 kw and 55 kw diesel generators and compressed air by a 750 cfm diesel compressor. There is a 40 hp. ventilation fan located underground, electric and diesel trammers, ore cars and flat cars. The site has a shop with an electric overhead hoist on a track and various tools,

mill buildings, a 4,500 gallon diesel tank with containment basin under cover, a 1,000 yard-per-day placer gravel recovery plant and a 50 ton hard rock quartz recovery plant.

The north and south ends of the mine are connected underground, which facilitates natural ventilation and provides an exit at both ends.

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The north end has a 2 story bunkhouse which can provide accommodations, a trailer which can also be used for accommodations, and an office. The adjacent cook shack will accommodate several more people. There is a 40' by 70' steel shop building on a concrete slab, a 10,000 gallon double-walled diesel tank, and other buildings. Electricity in this area is provided by PG&E.

The property contains Douglas fir trees which can be used for mine timber. The Forest Service has marked trees for cutting, and there is a bandsaw lumber mill on the property. Several thousand board feet of milled mine timbers are currently onsite.

The property is serviced throughout by a system of good dirt roads and oiled roads, with paved roads to the property from Highway 49. The property has a great deal of flat and useable areas available, and there is ample working room around the shops and other buildings.

The mine has rock drills, slushers and tuggers, additional fans and pumps, both air and electric powered, and much miscellaneous equipment, tools, and supplies. The mine also has a Peterbilt water truck, International flatbed truck, Oshkosh 4x4 dump truck, and Hyster equipment trailer. There is a large dump facility as well as ponds for water storage and ample process water that exits from the Ruby Tunnel.

Description of Mining Process

Although the grades encountered in the ancient river channels of the Alleghany District are extremely high relative to most placer deposits elsewhere in the world, underground mining costs are also much higher than the cost of open pit or dredge methods employed in most present-day placer operations. This cost reality, together with the erratic distribution of the gold, requires that selective mining methods based on strict grade control be utilized in order to achieve a profitable operation.

A cost effective underground mining operation is accomplished by a two-phase process:

(a) Exploration occurs on the advance by drifting upstream or downstream along the axis of the channel, with crosscuts driven every fifty to one hundred feet. The muck from these workings is slushed to passes that lead to the main haulage level within the bedrock below the channels. This is accompanied by face and rib sampling and by bulk testing of the muck from the headings. Each round is quantitatively analyzed to map out the grade distribution of the gold. This work is followed by;

(b) Selective mining (“breasting”) during the retreat, using the drift as the main haulage-way and leaving pillars of lower grade material. This is facilitated by careful mine planning based on the geometry of the channel and the grade distribution ascertained from the exploration phase.

Description of the Recovery Process

The mined gravel, or muck is transported from the mine along the tracked haulageway to the mill and dumped into the ore bin directly above the gravity separation washing plant. The wash plant is a closed-circuit system which recycles the wash water. The gravel is scraped onto a feed belt which elevates and dumps the material into the scrubber (trommel -- a large, inclined metal cylinder). Water is added and the scrubber is rotated in a clockwise direction at twelve revolutions per minute to thoroughly wash the gravel. Retaining rings inside the scrubber catch the larger gold nuggets. The washed gravel is discharged through slots in the final section of the scrubber that serve as a sizing screen. All plus 3/4 inch material is rejected to the coarse material belt which moves the reject gravel to the stacker belt for transport.

The remaining minus 3/4 inch material and excess water falls onto the walking bottom sluice box. This sluice box is a gravity separation device which utilizes Hungarian riffles mounted on a moving rubber belt to trap all high specific gravity material. The riffle bed rotates up the grade through the sized material and water, cycling completely every twenty minutes while continually dumping the heavy concentrate into the live bottom sluice box.

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All lighter material not trapped in the Hungarian riffles is washed off the discharge end of the walking bottom sluice box and over a 1/8 inch vibrating dewatering screen. The dry plus 1/8 inch, minus 3/4 inch material is vibrated onto a skid plate that loads directly onto the stacker belt for transport to the waste dump. The minus 1/8 inch material and water is discharged into the dewatering sand screw.

The live bottom sluice box utilizes a cam-operated jigging action within its bed to further concentrate, grade and separate all gold and other high specific gravity material. The trapped gold and heavy concentrate is cleaned from the box once a day and transported to the gold room for final cleanup.

The lighter material not concentrated within the bed is washed out of the live bottom sluice box with the excess water and discharged into the dewatering sand screw. The coarser material is dried by the dewatering sand screw and dumped onto the stacker belt. The finer waste material is discharged with the wash water to the primary settling pond. The wash water continues to the second settling pond from which it is pumped back to the scrubber at the head of the system. Water discharging from the tunnel is piped to the head of the system by gravity as needed for make up water.

A backhoe is used as required to bail the fine settled material from the primary settling pond to dry before transport to the waste dump.

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QA/QC Protocols

The Company has not determined its QA/QC protocols as a matter of policy, and relies on its joint venture partners and outside consultants to provide these protocols on a project-specific basis.

Canadian Properties

Below is a description of the properties (or mining/mineral/placer claims) currently owned by the Company which are currently under contract for exploration and development with joint-venture partners, previously under contract with joint-venture partners, or else prospective for future joint-ventures. Our mining claims convey the mineral or placer rights for mining-related purposes only, and while our rights allow us to use the surface of a claim for mining and exploration activities, our claims do not convey any other surface, residential or recreational rights to the Company. Additionally, our right to extraction is not absolute, as any mechanized extraction work on claims in British Columbia requires additional permits and possibly conversion of our claims to mining leases, the approval of which is not guaranteed.

For the year ended December 31, 2013, the Company paid the Province of British Columbia an aggregate of $35,028 USD in registration and claim maintenance fees to maintain our properties in good standing. For the year ended December 31, 2012, these fees totaled $68,536 USD. The decrease is due to claim sales that reduced our inventory of claims, and exploration expenditures that extended the good-until date of some of our principal properties for several years into the future.

The Company actively manages its claims on a daily basis through the British Columbia MTO system, and at times elects to reduce costs by paying annual fees incrementally as permitted by British Columbia regulations, allowing non-strategic claims to lapse, and occasionally reducing the aggregate size of a particular claim area or letting it lapse altogether to further reduce carrying costs. Therefore, the costs stated below to maintain a property in good standing is the maximum required on an annualized basis, and in many instances the actual realized expense may be less than indicated below.

Unless otherwise noted, all dollar amounts related to claim fees paid to the Province of British Columbia are in Canadian dollars (CDN).

Principal Canadian Properties

The following table shows the Company's principal target properties in British Columbia, Canada, which in aggregate comprise 110 claims that cover 28,961 acres (11,725 hectares). The Company owns additional claims throughout British Columbia, but most of these others have not as yet been aggregated into identifiable properties, are currently not considered material, or are expected to expire on their termination dates and no longer held. As of December 31, 2013, our total holdings are 186 claims encompassing 40,175 acres (16,265 hectares). This is a snapshot in time, and the number may be quite different six months or one year from now. The Company has an active exploration program in place, which on a daily basis will add new claims, drop or reduce the size of others, and maintain the rest. All of our claims are under constant review, and may be decreased or further increased at any time, depending on the re-evaluation of our present holdings, and the availability of new opportunities in the future as other claims of merit become available for acquisition.

Properties are labeled as such when individual claims that are either contiguous with each other or in close proximity can be aggregated and identified with a known mineral or placer resource. As of December 31, 2013, the total cash cost to acquire the properties listed below is $16,311, consisting of $6,436 in staking fees paid to the Province of British Columbia, and $9,875 paid in 2006 to an individual to acquire the Monte Cristo. If every claim is maintained

for the next year, the projected expense would be a minimum of $69,815, less $42,575 in exploration credits applied to the claims during 2013 for FY 2014, for a total of $27,240. In keeping with Company practices, some non-strategic claims may be allowed to lapse, and possibly re-staked afterwards, resulting in a considerable saving from the maximum projected annualized cost. As well, any of these properties that become the subject of options or joint-ventures with other companies will see their projected maintenance costs transferred to the prospective partner company for the duration of the contract. The table below shows the cash acquisition cost of each property and the annualized projected cost (or carrying cost) of maintaining the properties in good standing. All dollar amounts in this table are expressed in Canadian dollars, and the actual expense to the Company in terms of US dollars, when actually paid, can be as much as 10% lower or higher, depending on the foreign currency exchange rate on the day any payment is recorded.

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Property Name	Area (hectares)	Acquisition Cost	Minimum Work Requirement (Annualized)**	Exploration Expenditures To Date***
ARGO GOLD	262	$ 185	$ 1,315	$ -
BRETT WEST - BOULEAU CREEK GOLD	1,900	760	9,500	38,129
CHERRY GOLD	1,138	480	5,690	-
MT. WASHINGTON/CONNIE HILL	2,796	1,052	13,145	26,847
CORONATION GOLD	604	242	3,020	10,732
GOLD HILL PROJECT	1,920	1,173	9,600	-
LOUGHBOROUGH GOLD	288	115	1,440	-
LYNX GOLD	622	249	3,110	-
MONTE CRISTO*	333	9,875	6,660	18,082
NEW ESKAY CREEK	551	832	12,000	-
PINE RIVER VANADIUM	330	132	1,650	-
RACHEL GOLD	337	135	1,685	-
TULAMEEN PLATINUM	231	92	1,155	13,675
FRASER RIVER PROJECT	413	826	8,260	59,268
Total	11,725	$ 16,311	$ 69,815	$ 166,733

*With the exception of the Monte Cristo which was acquired from another party, as described below, all of the Company's properties in British Columbia were acquired as a result of the direct staking of located claims by Company personnel and payment of the statutory registration fees to the Province of British Columbia.

** If no work is performed by the anniversary date due, a claim may be maintained in good standing by paying a Cash In Lieu of Work Fee ("CIL") to the Ministry of Mines equal to twice the annual minimum work requirement.

*** Exploration expenditures are applied to the claims when incurred to meet the annual work requirement and extend the good-until date of the claims for as much as 10 years into the future.

Prior to July 1, 2012, the registration fee for staking new claims in British Columbia was $0.40 per hectare for a mineral claim, and $2.00 per hectare for a placer claim. On July 1, 2012, registration fees for newly-staked claims were raised to $1.75 per hectare for a mineral claim, and $5.00 per hectare for a placer claim. The initial term of any claim staked in British Columbia is one year. As of July 1, 2012, this term may be extended for up to 10 years at a time by filing a statement of work showing minimum expenditures on a mineral claim of $5 per hectare per year for

the first 2 years, $10 per hectare per year for year 3 and 4, $15 per hectare per year for years 5 and 6, and $20 per hectare per year for each year thereafter. For a placer claim, the minimum expenditure is $20 per hectare. If work is not performed on the subject claims, the registrant can pay a CIL Fee to British Columbia equal to twice the minimum work expenditure due to maintain the claim in good standing.

The Company owns a 100% undivided interest in the mineral rights underlying these properties, the surface of which is owned by the Province of British Columbia, also known as Crown Land. Our registered claims convey to us the mineral rights for mining-related purposes only, and while our rights allow us to use the surface of a mineral claim for mining and exploration activities, our claims do not convey any residential or recreational rights to the Company.

All of the properties described below are without known proven or probable reserves, and are exploratory in nature.

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Canadian Property Descriptions

Coronation Gold is located near Memphis Creek, 6 kilometres northeast of Slocan in southeastern British Columbia. The property covers 604 hectares (1,493 acres and includes five other past-producing mines; the Colorado, the Homestake, the V&M, the Sapphire, and the Senator mines.

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British Columbia government records show that the primary mineralization on the Coronation claims consists of gold, silver, zinc, and lead. Past-production records on file in British Columbia for the Colorado, Homestake, V&M, and Senator mines are as follows:

Colorado: Intermittent mining for the periods 1904 to 1915 and 1967 to 1969 produced a total of 67 tonnes, yielding 2188 grams per tonne silver, 2.5 per cent lead, and 5.6 per cent zinc (Source: BC MINFILE 082FNW161).

Homestake: At the Homestake (formerly known as the Hamilton), intermittent production from 1903 to 1915 totaled 33 tonnes of ore, yielding 115,299 grams of silver, 93 grams of gold and 1921 kilograms of lead. Production as the Homestake from 1968 to 1971 totaled 330 tonnes, yielding 861,491 grams of silver, 7370 grams of gold, 440 kilograms of lead and 503 kilograms of zinc (Source: BC MINFILE 082FNW213).

V&M: At the V&M mine, which includes the Get There Eli vein, 11 tonnes ore shipped in 1901 is documented as yielding 124 grams of gold and 21,554 grams of silver. Production of about 9 tonnes of ore in 1938 from the Get There Eli yielded 124 grams of gold and 15,925 grams of silver. 3 tonnes of ore mined in 1955 from the V&M yielded 93 grams of gold, 12,338 grams of silver, 23 kilograms of lead and 8 kilograms of zinc. In 1988, Yukon Minerals Corporation conducted soil and rock sampling, and geological mapping in the area. A sample from the Get-There-Eli adit assayed 16.8 grams per tonne gold and 549 grams per tonne silver over 0.5 metre on a quartz-pyrite vein (Source: BC MINFILE 082FNW191)

Senator: The Senator mine, which includes the Midnight vein, produced 20 tonnes of ore in 1906 and 1907, yielding 43,420 grams of silver and 436 grams of gold. In 1939 and 1940, production totaled 13 tonnes of ore, yielding 187 grams of gold and 17,947 grams of silver. In 1988, Yukon Minerals Corporation conducted soil and rock sampling, and geological mapping in the area. A sample from the Senator adit assayed 6.1 grams per tonne gold and 1080 grams per tonne silver over 0.3 metre on a quartz-pyrite vein (Source: BC MINFILE 082FNW164).

The Coronation was the subject of a joint-venture with Lincoln Resources Inc. (“Lincoln”), a private Nevada corporation from August 6, 2009, until October 6, 2011, when it was terminated..

In July 2012 the Company conducted an exploration program at Coronation Gold under the supervision of Mr. Dan Oancea, P.Geo. Prospecting, sampling and a short geophysical survey were undertaken over two prospective parts of the property. Samples were collected from mineralized host rocks and vein materials. Seven of these samples were sent to ALS Chemex Labs in Vancouver for analysis, and the most significant assays have been reported as follows:

- C05 (0.36 kg sample): 1.53 g/t gold, and 265 g/t silver;
- C07 (0.10 kg sample): 25.9 grams g/t gold, and 2,590 g/t per tonne silver;
- C08 (0.26 kg sample): 17.45 g/t gold, and 479 g/t per tonne silver.

The Company considers these results to be entirely consistent with previous assessments as well as the historical ore grades from the 6 past-producing mines on the property, all of which are in close proximity. Accordingly, we believe Coronation Gold to be a property of merit that justifies further follow up work. We intend to engage a new joint-venture partner to fund continued exploration. There is no guarantee the Company will be successful in this effort.

Fraser River Project is located along the Fraser River, 3 kilometres northwest of the village of Lytton in south-central British Columbia. The property covers 413 hectares (1,020 acres) on both sides of an area known as the Van Winkle Bar. As documented in British Columbia Open File 1986-7 and BC MINFILE 092ISW078, platinum and iridium are known to occur in the black sands of Van Winkle Bar.

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In February 2009, the Company through our then-prospective joint venture partner, Mr. Bill Morgan, discovered visible gold during the first phase of test excavations 400 metres northwest of the Van Winkle Bar along an old river channel. Prior to this there were no substantive indications of gold mineralization in the Fraser River deposit.

One cubic yard of material (the approximate equivalent of 2 metric tons) was excavated, processed, reduced to 750 grams of concentrate, and divided into three 250 gram (0.25 kg) samples, These samples were sent to Acme Analytical Laboratories Ltd. in Vancouver, BC for analysis. Acme Analytical Laboratories Ltd., an ISO 9001:2000 company, follows a strict regime of internal Quality Assurance/Quality Control (QA/QC) protocols, including blanks, duplicates, and standard reference materials inserted in the sequences of client samples to provide a measure of background noise, accuracy and precision. The assay results showed the concentrate samples averaged 564 grams per tonne gold and 4.45 grams per tonne platinum, as per the following table:

ACME ANALYTICAL LABORATORIES LTD.	
Date	8-April-09
Job Number:	VAN09000829
Number of Samples:	3
Project:	Van Winkle
Received:	16-Mar-09

	Method	G6	G6	G6
	Analyte	Au	Pt	Pd
	Unit	GM/T	GM/T	GM/T
	MDL	0.17	0.01	0.01
Sample	Type			
VW-1	Sand	620.21	3.59	0.03
VW-2	Sand	541.74	4.37	0.04
VW-3	Sand	530.42	5.38	0.03
Average		564.12	4.45	0.03

Subsequent to the completion of the initial test phase, an outreach to the local Lytton First Nations council was rebuffed. Mr. Morgan subsequently withdrew from the project, and further work was suspended. Any further work is contingent on the approval of the Lytton First Nations by way of treaty agreements with the Province of British Columbia.

In October 2011, the Company signed a Memorandum of Understanding with PWC to engage in a joint-venture on the Company’s Fraser River Platinum project. Under the terms of the Memorandum of Understanding, a definitive agreement will be signed within 60 days of formal permit approval by the British Columbia Ministry of Mines and the local First Nations governments. On June 24, 2012, a mining permit was issued by the Ministry of Mines, and operations were initiated but a definitive agreement was never signed with PWC, and the Company continues to control 100% of the property.

During the first week of March, 2012, an exploration and soil sampling program on the Fraser River property was conducted under the supervision of Ms. Agathe Bernard, B.Sc. to further block out and assess the deposit area. The sampling occurred at the margins along a boulder area that runs north to south, with each sample consisting of 0.3 cubic yards of material. The samples were collected and shipped to ALS Labs in Vancouver for analysis, and the assay results received from the first 7 samples analyzed were as follows:

SAMPLE DESCRIPTION	Au (g/t)	Pt (g/t)
PS12-VW1-120312	2.36	0.008
PS12-VW2-120312	0.11	0.025
PS12-VW3-120312	0.493	nil
PS12-VW4-120312	1.625	0.005

PS12-VW5-120312	3.26	nil
PS12-VW6-120312	5.68	0.206
PS12-VW7-120312	2.59	0.427
AVERAGE	2.303	0.096

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The Company notes that these samples were all unconcentrated, consisting only of raw in-place bank material. As such, these raw samples represent what would be expected from one bank cubic yard of gravel.

Pursuant to the issuance of a mining permit on June 24, 2012, the Company began operations at the Fraser River Project on October 23, 2012, to begin the excavation of test pits. Operations were suspended for the winter in December, 2012.

During 2013, the JV with PWC was terminated and the Company executed a definitive joint-venture agreement for mining operations at the Fraser River Project with Solid Holdings Ltd. ("Solid"), a private company domiciled in British Columbia and based in Houston, BC. The terms of the agreement call for Solid to provide all equipment, personnel, and related expenditures required to initiate and sustain mining operations at the Fraser River Project JV. The Company will be responsible for maintaining the property in good standing and securing the permits required for mining operations to proceed. The Company will retain 100% ownership of the property, and will be paid a 20% net smelter royalty ("NSR") on all metals recovered from operations, with Solid retaining 100% of the net profits following payment of the aforementioned NSR. Solid will be deemed the project operator, and will be responsible for the day-to-day operations.

A new permit was subsequently applied for and was issued in July 2013. Operations are currently on hold pending completion of a Heritage Impact Assessment requested by the Province of British Columbia. This survey is expected to be completed in Q2 2014 at which time operations are expected to resume. There is no guarantee that mining operations at the Fraser River Project will be successful.

The Gold Hill Project is located due west of the village of Salmo in southeastern British Columbia, and presently covers 1,920 hectares.

With the exception of patented claims known as Crown Grants shown on the map below, the Company owns a 100% undivided interest in the mineral rights underlying the property, the surface of which is owned by the Province of British Columbia, also known as Crown Land. The green areas on the claims map are the patented claims (Crown Grants) that are owned by other parties and not part of the property.

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The property is known to contain gold and silver mineralization as evidenced from the production records from the past-producing Gold Hill mine. Production records at the Gold Hill mine show a total of 19 tonnes of ore were mined in 1932, 1934, and 1942 from which 560 grams of gold and 1,027 grams of silver were recovered (Source: MINFILE 082FSW204).

In 2008, the Company entered into a joint-venture agreement with Hidalgo Mining International Inc. ("Hidalgo") to explore and develop the Gold Hill Project. This joint venture was terminated in October 2009.

The Company has no plans at the present time to explore the property independently, and intends to engage a new joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

Bouleau Creek Gold is a road-accessible property covering 1,900 hectares and is located 26 kilometres west of Vernon in southeastern British Columbia.

With the exception of tenures 578838 and 579151, the Bouleau Creek Property was acquired by the direct staking of claims by the Company and payment of the required registration fees to the Province of British Columbia. Tenures 578838 and 579151 were gifted to the Company by Speebo, Inc., a private company controlled by our Chief Executive Officer, Perry Leopold.

As documented in British Columbia MINFILE 082LSW069, Bouleau Creek features gold and silver mineralization over an area of approximately 1,000 by 600 metres. The northern portion of the property above Bouleau Creek includes the Siwash prospect, which is documented in BC MINFILE 082LSW046 as an area of gold and silver mineralization that extends over an area measuring 3,000 by 750 metres.

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In October 2011, a Pilot HMC ("Heavy Mineral Concentrates") Geochemical program of the Bouleau Creek Gold property was conducted on behalf of the Company by Billiken Gold Ltd of Enderby, BC. Over 2300 pounds of sample material were collected, and subsequently processed and cataloged into 36 samples. The samples were sent to ALS Chemex in Vancouver for analysis, who reported the following assay results:

SAMPLE DESCRIPTION	Weight kg	Au g/t
NB-35	0.12	0.475
NB-36	0.12	0.558
NB-37	0.12	0.177
NB-38	0.10	0.377
NB-39	0.12	0.301
NB-40	0.10	1.82
NB-41	0.10	0.223
NB-42	0.12	<0.005
NB-43	0.12	0.048
NB-44	0.12	0.131
NB-45	0.12	0.032
NB-46	0.10	0.007
NB-47	0.12	0.145
NB-48	0.12	0.123
NB-49	0.12	0.507
NB-50	0.12	0.369
NB-51	0.12	0.322
NB-52	0.10	0.03
NB-53	0.12	0.864
NB-54	0.12	0.256
NB-55	0.12	0.407
NB-56	0.12	0.529
NB-57	0.10	0.826
NB-58	0.12	2.09
NB-60*	0.56	95.6
NB-61	0.10	0.097
NB-62	0.10	0.455
NB-63	0.12	0.212
NB-64	0.50	<0.005
NB-65	0.54	<0.005
NB-66	0.10	0.192
NB-67	0.12	0.035
NB-68	0.12	0.335
NB-69	0.12	0.333
NB-70	0.12	0.346
NB-71	0.12	0.312

*All of the samples were analyzed by conventional fire assay (Au-AA23), with the exception of sample NB-60. Due to the presence of visible gold, a metallic screen assay (Au-SCR21) was performed on sample NB-60, where the final prepared pulp is passed through a 100 micron (Tyler 150 mesh) stainless steel screen to separate the oversize fractions. Any +100 micron material remaining on the screen is retained and analyzed in its entirety by fire assay with gravimetric finish and reported as the Au(+)fraction result, which for sample NB-60 was reported as 95.6 grams per

tonne gold. The Au(-)fraction (minus the oversize fractions) assayed 0.24 g/t gold, for a total of 0.77 g/t gold when all fractions were combined and averaged. Excluding the nugget effect from sample NB-60, the average fire assay of all 36 samples came in at 0.37 g/t gold.

A follow up HMC program in 2013 resulted in an expansion and further delineation of the alteration zone found in 2011, and the discovery of a completely new and previously undiscovered target area about 400 metres west of where sample NB-60 was taken. At least 5 samples (NB-106, NB-107, NB-126, NB-137, and NB-138) confirmed and further delineated the presence of highly anomalous gold particles in the soil upslope from both NB-60 and the large alteration zone discovered during the initial HMC program in 2011. The 2013 HMC project produced assays as high as 9.75 g/t (sample NB-137) from the original target area. New and very positive results downslope from the newly discovered alteration zone, about 400m west and upslope from NB-60, produced high gold values from three samples; NB-126 (8.0 g/t), NB-163 (2.29 g/t), and NB-164 (2.53 g/t). These samples were all taken very close together and point to this new target area upslope. Further sampling is planned for 2014 in an effort to locate the origin of this gold dispersal plume. The samples from the 2013 program were sent to ALS Chemex in Vancouver for analysis, who reported the following assay results:

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SAMPLE DESCRIPTION	Recvd Wt. kg	Au g/t
NB-101	0.06	1.16
NB-102	0.06	0.298
NB-103	0.06	0.619
NB-104	0.06	0.055
NB-105	0.06	0.367
NB-106	0.06	1.525
NB-107	0.06	1.255
NB-108	0.06	0.384
NB-109	0.06	0.268
NB-110	0.06	0.086
NB-111	0.06	0.017
NB-112	0.06	0.022
NB-113	0.06	0.069
NB-114	0.06	0.336
NB-115	0.06	0.177
NB-116	0.06	0.062
NB-117	0.06	0.685
NB-118	0.06	0.079
NB-119	0.06	0.22
NB-120	0.06	0.125
NB-121	0.06	0.015
NB-122	0.06	0.34
NB-123	0.06	0.887
NB-124	0.06	0.222
NB-125	0.06	1.25
NB-126	0.06	8.2
NB-127	0.06	0.198
NB-128	0.06	0.315
NB-129	0.06	0.909
NB-130	0.06	0.006
NB-131	0.06	3.94
NB-132	0.06	0.128
NB-133	0.06	0.075
NB-134	0.06	0.006
NB-135	0.06	0.256
NB-136	0.06	0.743
NB-137	0.06	9.75
NB-138	0.06	1.225
NB-139	0.06	0.401
NB-140	0.06	0.212
NB-160	0.06	0.465
NB-161	0.06	1.16
NB-162	0.06	1.6
NB-163	0.06	2.29
NB-164	0.06	2.53
NB-165	0.06	0.912

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The Company also intends to engage a joint-venture partner to fund future exploration of the project. There is no guarantee the Company will be successful in this effort.

The Tulameen Platinum Project covers 231 hectares (571 acres) and is located along the Tulameen River in the Cascade Mountains of southwestern British Columbia, approximately 150 kilometres northeast of Vancouver.

As documented in BC MINFILE 092HNE128, this occurrence is hosted in the dunite-rich core of the Early Jurassic Tulameen Ultramafic Complex, a zoned Alaskan-type intrusive complex. Mineralization occurs in a serpentine breccia zone containing fragments of dunite/peridotite cemented by a matrix of serpentine. The zone is 180 metres long, up to 155 metres wide and lies mostly north of the river, on either side of the creek. Platinum occurs in elevated values in the breccia and in the surrounding dunite/peridotite.

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In 2013 the Company undertook a prospecting survey designed as a reconnaissance study of the main rock types, mineralization, and of the mineral potential of the Tulameen ultramafic rocks. Assays returned values in line with the ones obtained by previous explorationists evidenced in the British Columbia MINFILE reports. Top values were 0.54 g/t platinum, 0.18 g/t gold, 0.195% copper, 0.138% nickel, 15.40% iron and 20.3% chromium. The samples were analyzed by ALS Chemex in Vancounver, as follows:

SAMPLE	Recvd Wt.	Pt	Au	Ir	Rh	Cr	Cu	Fe	Ni	Zn
	kg	g/t	g/t	ppm	ppm	%	ppm	%	ppm	ppm
T-59	0.68	0.08	0.046	0.002	nil	0.272	150	5.78	1150	80
T-61	1.4	0.07	0.02	nil	nil	0.0940	30	6.43	1050	50
T-65A	0.76	0.54	0.037	0.019	0.019	3.18	80	9.01	560	130
T-65C	0.12	nil	0.056	0.006	0.009	20.30	nil	15.4	1380	660
T-67	0.68	0.14	0.039	0.003	0.006	0.671	1950	6.75	1000	100
T-68A	0.66	0.08	0.18	0.002	nil	0.769	nil	7.67	1260	70

The 2013 program also revealed that the PGM mineralization hosted in the dunite is accompanied by olivine, an industrial mineral. Among its many uses, olivine is presently considered to have a strategic use in carbon dioxide (CO_2) sequestration. It is therefore believed that the olivine industrial mineral potential of the project might be significant. Mining of the dunite rocks for olivine industrial mineral is believed to have a greater potential than mining for precious and base metals alone. The potential for mineral sequestration of carbon dioxide of the Tulameen dunite rocks could further improve the economics of a possible olivine mining project.

The 2013 survey concluded the mining of the olivine rich core of the Tulameen Ultramafic Complex has to be envisioned as a possible open pit mining operation that would include on-site processing of the rock (crushing, grinding, flotation and/or gravity concentration) as this could be the only viable solution for moving the project forward. The main product could be represented by olivine industrial mineral, while by-products could be represented by metals (PGM, chromite, magnetite). The tailings could be marketed for their CO_2 sequestration potential. Drilling of the potentially economic zones has to be undertaken as a next step which is deemed necessary in understanding the characteristics of the unaltered dunite rocks and associated mineralization. If successful, mineral resources and reserves could be estimated and used in a Preliminary Economic Assessment (PEA) of the olivine-PGM deposit.

The Company is presently considering whether to further explore the property independently, or to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in either of these efforts.

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The Rachel Property is located approximately 17 kilometres northwest of the village Salmo in southeastern British Columbia, and covers 337 hectares (832 acres).

As documented in British Columbia government records, the Rachel is known to contain gold, silver and lead mineralization. In 1980, Kimberley Gold Mines removed 14 tonnes of ore from the adit, yielding an average assay of 66.64 grams per tonne gold, 271.5 grams per tonne silver, and 9.42 per cent lead (Source: MINFILE 082FSW299).

The Company has no plans at the present time to explore the property independently, and intends to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

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The Monte Cristo Property is located in a wide section of the Lillooet River Valley, approximately 31 kilometers northwest of the north end of Harrison Lake in south-central British Columbia. It covers 333 hectares (820 acres).

The Company owns a 100% undivided interest in the placer rights underlying the property, the surface of which is owned by the Province of British Columbia, also known as Crown Land. Subsequent to the acquisition, British Columbia created a reserve that does not allow any further staking of placer claims. However, as our claims were pre-existing, our placer rights have been grandfathered and remain valid for as long as we continue to maintain the property in good standing. The property is also adjacent to an Indian reservation, and any exploration or mining work will require the approval of the local First Nations council.

The Monte Cristo Property was acquired in August 2006 by way of purchase from a private individual. Consideration paid was $9,750 USD cash and 130,000 shares of common stock, plus a 2% NSR.

As documented in BC MINFILEs 092GNE019 and 092GNE013, the mineralization of the property consists of precious metal bearing sands that cover a 400 to 800 meter wide section of the Lillooet River valley. These post-Pleistocene sands contain gold and platinum in submicron sized particles. In 1970, a 1.4 kilogram sample of sand, taken at least a meter below surface, assayed 2.47 grams per tonne gold, 4.80 grams per tonne silver, 2.77 grams per tonne platinum, and 2.71 grams per tonne palladium.

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On February 14, 2012, an exploration and sampling program on the Monte Cristo property was conducted under the supervision of Ms. Agathe Bernard, B.Sc.. The initial goal of the work program was to verify the presence of submicron size metals in the sand material along the Lillooet River, which was previously indicated by work conducted in 1970 by G.L. Kirwin, B.Sc., and J.M. Ashton, P.Eng., as documented in BC Assessment Report 2589. Instead, the crew unexpectedly found an abundance of visible gold, with some particles as large as one millimeter.

The first 17 samples of black sand were concentrated on site using a Keen concentrator and reduced in volume by approximately 20 to 1000 times to concentrate the fine part of the sample. The concentration was supervised by Ms. Bernard, and the samples were sent to ALS Labs in Vancouver for analysis. The assay results are reported as follows:

SAMPLE DESCRIPTION	Weight kg	Au g/t	Au g/t (diluted)**	Ag g/t	Ag g/t (diluted)**	Pt g/t	Pd g/t
PS17-120216	0.12	75.3	3.77	20.2	1.01	nil	0.003
PS01-120215	0.04	NSS*	NSS	NSS	NSS	NSS	NSS
PS02-120215	0.06	79.8	3.99	0.06	0	nil	0.002
PS03-120215	0.04	71.7	3.59	nil	nil	nil	0.001
PS04-120215	0.08	5.66	0.28	23	1.15	0.012	0.005
PS05-120215	0.16	3.32	0.17	1.84	0.09	nil	0.003
PS06-120215	0.12	27.4	1.37	nil	nil	nil	0.003
PS07-120215	0.02	65.3	3.27	2.18	0.11	nil	0.006
PS08-120215	0.02	71.3	3.57	nil	nil	nil	0.004
PS09-120215	0.08	9.47	0.47	4.13	0.21	nil	0.002
PS10-120215	0.06	0.76	0.04	0.09	0	nil	0.003
PS11-120215	0.08	1.76	0.09	0.24	0.01	0.005	0.004
PS12-120216	0.14	112.5	5.63	nil	nil	nil	nil
PS13-120516	0.04	60.8	3.04	nil	nil	nil	0.003
PS14-120216	0.06	8.94	0.45	nil	nil	0.067	0.004
PS15-120516	0.1	114	5.7	nil	nil	nil	nil
PS16-120216	0.08	74.8	3.74	65.1	3.26	nil	nil

* NSS is non-sufficient sample size
** As the samples were concentrated, only the very fine and heavy particulate were analyzed. This magnifies the values from real concentration 20 to 1000 times. The estimated diluted values indicate what would be expected from a raw bank cubic yard of material prior to concentration processing.

In January 2012, prior to the above described work program, the Company amended its aforementioned Memorandum of Understanding with PWC to include a joint-venture on the Monte Cristo property. As of the date of this prospectus, a definitive agreement has not yet been executed. Under the terms of the Memorandum of Understanding, a definitive agreement will be signed within 60 days of formal permit approval by the British Columbia Ministry of Mines and the local First Nations governments. Said permits have been applied for, but as of the date of this prospectus these milestones have not yet been achieved, and there is no guarantee that such approvals will be forthcoming, or that the joint-venture will be successful.

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The Mt. Washington/Connie Hill Property is located on Vancouver Island, approximately 15 kilometres northwest of Courtenay in southwestern British Columbia, and presently covers 2,796 contiguous hectares (6,906 acres). The property extends from Constitution Hill and Wolf Lake southwest towards Mount Washington, and includes several zones of mineralization for 10 kilometres along Murex Creek to Mt. Washington, including the Lupus, Ideal, Murex, Oyster, and the southern portion of the Domineer deposits at Mount Washington.

As documented in British Columbia government records, the property is known to contain gold, silver zinc, copper, and lead mineralization. A sample of the zone material taken from the Lupus showing across 0.90 metres assayed 4.42 grams per tonne gold, 20.57 grams per tonne silver, 0.60% zinc, 0.15% copper, 1.59% lead and 0.01% arsenic (Source: MINFILE 092F 308).

The Murex zone is on the northeast slope of Mt. Washington, and represents an area of mineralization covering approximately 700 by 700 metres, with an estimated depth of 175 metres. It has been previously tested by a number of diamond-drill holes by several previous operators, with a 4 metre section of core assaying 4.08 per cent copper, 32.91 grams per tonne silver and 6.31 grams per tonne gold. A total of five zones have been identified within the Murex deposit, labeled Zones A, B, C, D, and E. Drilling on the Murex by Noranda in 1988 yielded significant intercepts, as follows (Sources: MINFILE 092F 206, BC Assessment Report 30010):

· NMX-88-17 yielded 0.25m. @ 3.7 g/t gold, 46 g/t silver and 9.7% copper from 196.5 to 197.21 m. from a massive sulphide vein in Zone A

· NMX-89-25 yielded 4.0 m. @ 6.5 g/t gold, 30 g/t silver and 4.1% copper from 29 to 33m., including: 1.0 m. @ 21 g/t gold, 71 g/t silver and 9.3% copper from 29 to 30 m. in a massive sulphide vein in basalt with pyrrhotite, chalcopyrite and pyrite

· NMX-89-26 yielded 6.5 m. @ 0.23 g/t gold, 7.3 g/t silver and 1.1% copper from 16.2 to 22.7 m. in a siliceous basaltic breccia with pyrrhotite and chalcopyrite

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The Oyster zone is situated approximately 3 km north of Mt. Washington. Drilling and sampling documented in a 2008 NI 43-101 Technical Report by the previous operator, Bluerock Resources, documents a 43 centimetre section of core that assayed 2.78 grams per tonne gold, 6.86 grams per tonne silver, and 0.07% copper (Sources: MINFILE 092F 365, BC Assessment Report 30010).

In 2013 the Company engaged Mr. Jacques Houle, P.Eng., to undertake a comprehensive study of the main rock types, mineralization and of the mineral potential of the Mount Washington property. This fieldwork included select outcrop grab sampling with highlights achieved at the following locations:

· Oyster Breccia Area – 3 samples taken from three separate known mineralized sites documented in ARIS report 17193 yielded up to 1.39 g/t gold.

· Lupus/Wolf Lake Area – 2 samples taken from three separate known mineralized sites documented in ARIS reports 27430 and 28405 yielded up to 16.4 g/t gold and 1.18% copper in 2 different samples.

· Murex Breccia Area – 4 samples taken from four separate known mineralized sites documented in ARIS report 18391 and 7 select outcrop grab samples taken from areas of recently exposed or previously undocumented mineralized sites yielded up to 3.55 g/t gold, 0.749% copper and 0.026% molybdenum in 2 different samples.

The samples were analyzed by AGAT Laboratories in Ontario, as follows:

Sample	Recvd Wt kg	Au g/t	Ag g/t	Cu ppm	Mo ppm
E5123127	2.09	0.07	<0.5	18.8	16.8
E5123128	1.66	0.589	<0.5	313	43.3
E5123129	1.49	1.39	3.2	479	2.3
E5123130	1.94	3.55	11.9	7490	70.6
E5123131	1.55	0.008	<0.5	249	2.5
E5123132	1.88	0.005	<0.5	438	10.2
E5123133	1.73	0.023	<0.5	457	3.9
E5123134	1.63	0.006	<0.5	638	1.8
E5123135	2.24	0.006	<0.5	953	14.4
E5123136	1.64	0.08	1.7	2580	20.1
E5123137	1.81	0.142	27.5	11800	4
E5123138	0.82	16.4	13.6	1090	2.6
E5123139	1.63	0.306	<0.5	243	<0.5
E5123140	1.81	0.014	<0.5	1020	264
E5123141	2.38	0.034	4.5	4740	159
E5123142	2.43	0.006	<0.5	1730	8.2
E5123143	2.13	0.008	<0.5	775	3.9

The Company is presently considering whether to further explore the property independently, or to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in either of these efforts.

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The Argo Gold Property is located 10 kilometres west of the south end of Tatlayako Lake, approximately 168 miles northwest of Vancouver, British Columbia. It covers 262 hectares (647 acres) and includes ten reverted crown grants.

The mineralized area of economic interest covers several square kilometres immediately south of Ottarasko Creek. The strike length is estimated as being at least 3 kilometres long, and is up to 300 metres in width. The target prospects are known as the Langara, the Standard, and the Argo.

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As documented in British Columbia government records, the Argo property is known to contain gold and silver mineralization. On the Standard occurrence, mineralization is traceable for 75 metres over a width of 1 to 2 metres, with assays at 15 grams per tonne gold and 20.6 grams per tonne silver over 2 metres (Source: BC MINFILE 092N 037).

The Company has no plans at the present time to explore the property independently, and intends to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

The Loughborough Gold Property is located on the east side of Loughborough Inlet, approximately 140 miles northwest of Vancouver, British Columbia, and covers 288 hectares (711 acres).

The property is known to contain gold, silver, and copper mineralization. Production records at the past-producing Loughborough Gold mine from 1935 to 1939 show that 114 ounces of gold, 457 ounces of silver, and 185 pounds of copper were produced from 122 tons mined and milled (Source: MINFILE 092K 048).

The Company has no plans at the present time to explore the property independently, and intends to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

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The Lynx Gold Property covers 622 hectares (1,536 acres) and is located approximately 75 miles southeast of Vernon in southeastern British Columbia.

The property is known to contain gold and silver mineralization. One drill intersection of the vein assayed 3.77 grams per tonne gold over 0.6 metres. Another intersection assayed 28.52 grams per tonne gold, 13.4 grams per tonne silver and 0.01 per cent copper across 1.07 metres (Source: MINFILE 082LSE055).

The Company has no plans at the present time to explore the property independently, and intends to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

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Cherry Gold is a road-accessible property that covers 1,138 hectares (2,811 acres) located 9 kilometres east of Cherryville in southeastern British Columbia.

The property is known to contain gold, silver, and lead mineralization, as documented in BC MINFILE 082LSE063.

The Company has no plans at the present time to explore the property independently, and intends to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

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Pine River Vanadium covers 330 hectares (815 acres) and is located in the Pine River Valley of north-central British Columbia, approximately 700 kilometres northeast of Vancouver and about 600 kilometres northwest of Edmonton, Alberta. While its location is remote, the property has excellent infrastructure with regard to both transportation and energy. A paved highway passes through and alongside the claims, which also runs parallel with the Pine River. The B.C. Railway crosses on the opposite side of the valley as does the Peace River Power transmission line. Natural gas and oil pipelines also follow the highway through the valley.

With the exception of tenures 623083, the Pine River Property was acquired by the direct staking of claims by the Company and payment of the required registration fees to the Province of British Columbia. Tenure 623083 was gifted to the Company by Speebo, Inc., a private company controlled by our Chief Executive Officer, Perry Leopold.

Sampling documented in BC MINFILE 093O 009 has defined a vanadium-bearing zone with a length of 200 metres and an estimated true width of 100 metres.

The Company has no plans at the present time to explore the property independently, and intends to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

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New Eskay Creek is located in northwestern British Columbia, approximately 70 kilometres north of Stewart, and consists of 551 hectares (1,361 acres). Road access is provided by the Eskay Creek Mine Road, which extends from the Stewart-Cassiar Highway at Bob Quinn Lake and traverses through the western portion of the Company's claims before it reaches the Eskay Creek Mine.

According to British Columbia government records documented in BC MINFILE 104B 008, the major geological structure at Eskay Creek is known to trend to the north-northeast. This trend runs through the New Eskay Creek property, which to date remains unexplored.

The Company has no plans at the present time to explore the property independently, and intends to engage a joint-venture partner to fund the project. There is no guarantee the Company will be successful in this effort.

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Employees

We have one full-time employee who is our CEO and Chairman, Mr. Perry Leopold. Mr. Leopold devotes 40 plus hours to the Company each week. We believe we have good relations with all of our employees and do not have any unionized workers.

Competition

As metal prices continue to increase and demand grows, we expect new companies to form and compete with the already numerous junior and developed mining, exploration and production companies in existence. Some of these companies may be more efficient in locating new claims, which could impede our business plan. As well, some of these companies may be better funded, or more successful in attracting joint-venture partners, and thereby diminish our ability to execute our business plan.

Government Regulation

With the exception of the Ruby Mine in Sierra County, California, all of our mining claims are in British Columbia, Canada, where we are subject to regulation by numerous federal and provincial governmental authorities, but most importantly, by the British Columbia Ministry of Energy, Mines, and Petroleum Resources. Our Ruby Mine Project in Sierra County, California, is subject to US regulation by the Federal Environmental Protection Agency, the Federal Department of the Interior, the Bureau of Land Management, the US Forestry Service, the US Department of Labor Mine Safety and Health Administration, as well as other comparable state agencies, such as the California Department of Conservation Office of Mine Reclamation, the California State Water Resources Control Board and the California Division of Occupational Safety and Health. At the Ruby, we are also subject to various federal and state statutes, such as the federal Mine Safety & Health Act of 1977, the federal Mine Improvement and New Emergency Response Act of 2006, the federal Comprehensive Environmental Response, Compensation and Liability Act, also known as the "Superfund" law, the federal Clean Air Act , the federal Resource Conservation and Recovery Act, and the California Surface Mining and Reclamation Act. Where EB-5 funding has been applied for, offered, or secured, we are subject to regulation by the US Department of Homeland Security and the USCIS. The acquisition of a prospect in Mexico, or any other country, will be subject to similar regulatory agencies requirements by various agencies in each country. In all cases, the failure or delay in making required filings and obtaining regulatory approvals or licenses will adversely affect our ability to carry out our business plan. The failure to obtain and comply with any regulations or licenses may result in fines or other penalties, and even the loss of our rights over a prospect. We expect compliance with these regulations to be a substantial expense in terms of time and cost. Therefore, compliance with or the failure to comply with applicable regulation will affect our ability to succeed in our business plan and ultimately to generate revenues and profits. We expect that our operations will comply in all material respects with applicable laws and regulations. We believe that the existence and enforcement of such laws and regulations will have no more restrictive an effect on our operations than on other similar companies in the resource industry.

Seasonality of Business

Weather conditions will affect our ability to mine the Ruby once we begin mining operations. In the winter months, especially January, February, and March, the roads leading to the property may become impassable because of snow. While we expect to maintain a year-round operation once the Ruby Mine is in full production, we may experience operational interruptions if our work crews are off-site and unable to reach the mine, or if the delivery of supplies are postponed, etc. We expect that any such interruptions will be temporary, although any interruption of a significant duration may have a material effect on our revenue.

Reports to Security Holders

Pursuant to the informational requirements of the Securities Exchange Act of 1934, we file annual, quarterly and other reports and information with the Securities and Exchange Commission. You may read and copy these reports, statements, or other information we file at the SEC's public reference room at 100 F Street N.E. Washington D.C. 20549. Our filings will also be available to the public from commercial document retrieval services and the Internet worldwide website maintained by the U.S. Securities and Exchange Commission at www.sec.gov.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations in conjunction with the financial statements and the notes thereto, included elsewhere in this prospectus. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to those differences include those discussed below and elsewhere in this prospectus, particularly in the "Risk Factors" section.

Overview

We seek to acquire, explore, develop, and exploit natural resource properties with extensive reserves of precious metals, including gold, silver, platinum, and palladium, as well as base metals, including copper, zinc, lead and molybdenum. The Company's business plan is based on the Generative Business Model, which is designed to leverage our mining properties and mineral claims into near-term income streams even during the earliest stages of exploration. This is accomplished by entering into sales, joint-venture, and/or option contracts with other mining companies, for which the Company generates income through payments in cash, stock, and other consideration.

We are an exploration stage company and there is no assurance that a commercially viable mineral deposit exists on any of our properties. Further exploration will be required before any final evaluation as to the economic viability and feasibility of any of our mining projects can be determined.

On July 1, 2011 we acquired Ruby Gold, Inc. and the Ruby Mine. The Ruby Mine is an underground placer and lode mine located between Downieville and Forest City, in Sierra County, California. With the exception of the Ruby Mine, we currently do not control any properties with active or imminent mining operations in the United States. Work commenced at the Ruby Mine during Q4 2011 to rehabilitate the Ruby Tunnel and renovate the infrastructure. The initial phase of this work was completed in the third quarter of 2013 with the restoration of natural air flow throughout the extent of the Ruby tunnel and the reopening of the tunnel for a full mile to restore access to the Black Channel and the Big Bend mining targets. Mill renovation has been completed, and the wash plant is fully operational as of the date of this prospectus. While bulk sampling has begun, there is no guarantee that mining activities will continue, or that our mining activities will be successful. As of March 31, 2014, construction and renovation costs directly related to the Ruby tunnel rehab and excluding acquisition, depreciation, and regulatory expenses totaled $1,805,171.

With the exception of the Fraser River Project, we currently do not control any properties with active or imminent mining in Canada. Mining activities commenced at the Fraser River Project on October 23, 2012, to begin the excavation of test pits. Operations were suspended for the winter in December, 2012. A new permit was subsequently applied for and was issued in July 2013. Mining activities are currently on hold pending completion of a Heritage Impact Assessment requested by the Province of British Columbia. This survey is expected to begin in Q2 2014. There is no guarantee that commercial production will begin at the Fraser River Project, or that our mining activities will be successful

On November 1, 2011, the Company agreed to option the Taber Mine in Sierra County, California, for a period of up to nine months, during which time the Company will continue to conduct further due diligence. On July 11, 2012, the Company executed an amendment to the Taber Mine Option Agreement to extend the option for one additional year. The consideration to be paid during the term of the option is $2,000 per month. Should the Company elect to exercise the option, the parties will then enter into a definitive lease agreement, with an optional buyout provision. As of December 31, 2013 and the date of this prospectus, the term of the option has expired, and the Company has elected not to renew it.

On Nov 19, 2012, the Company announced TSX approval of a previously announced option agreement with Caribou King Resources Ltd..on the Company's Willa Claims in southeastern British Columbia. Under the agreement, Caribou may earn up to a 100% interest in the Willa Claims by making aggregate payments to North Bay of $232,500 USD in cash and issuing 1,000,000 shares of Caribou common stock. Of the aggregate payments, $7,500 in cash and 500,000 shares are due upon receipt of regulatory acceptance of the Agreement by the TSX Venture Exchange, which is now effective, $50,000 cash and 500,000 shares are due upon the first anniversary of the Agreement, and a $175,000 cash payment is due upon the second anniversary of the Agreement. In addition to the consideration received, North Bay shall be granted a royalty equal to 2% of net smelter returns ("NSR"). At any time up to the commencement of commercial production, Caribou may purchase one-half of the royalty (i.e., 1%) in consideration of $1,000,000 USD payable to North Bay, such that North Bay will then retain a 1% royalty. As of December 31, 2013 and the date of this prospectus, Caribou has defaulted on the agreement and forfeited any and all rights, thereby returning 100% control and ownership of the Willa to the Company.

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As of March 31, 2014 and March 31, 2013, gains from joint-venture agreements totaled $0 and $0, respectively. As of March 31, 2014 and March 31, 2013, cash gains from claim sales totaled $0 and $113,499, respectively. As per GAAP, these revenues have been classified as "Other Income". Top-line revenue is reserved for when we begin actual mining operations and begin generating revenue from mine production.

As of December 31, 2011, the Company had a Memorandum of Understanding ("MOU") with Devlin's Bench Mining Ltd and P. Wright Contracting Ltd ("PWC") to engage in a joint-venture on the Company's Fraser River Platinum project. Subsequent to December 31, 2011, the MOU was amended to include a second joint-venture on the Company's Monte Cristo property. As of the date of this prospectus, a definitive agreement has not yet been executed. Under the terms of the MOU, a definitive agreement will be signed within 60 days of formal permit approval by the British Columbia Ministry of Mines and the local First Nations governments. A mining permit for the Fraser River Project was issued on June 25, 2012, but as of the date of this prospectus a definitive agreement with PWC has not yet been signed. As of the date of this prospectus, the Company continues to own and control 100% of the project. During 2013, the joint venture with PWC was terminated and the Company executed a definitive joint-venture agreement for mining operations on Fraser River Project with Solid Holdings Ltd. ("Solid"), a private company domiciled in British Columbia and based in Houston, BC. The terms of the agreement call for Solid to provide all equipment, personnel, and related expenditures required to initiate and sustain mining operations at the Fraser River Project JV. The Company will be responsible for maintaining the property in good standing and securing the permits required for mining operations to proceed. The Company will retain 100% ownership of the property, and will be paid a 20% net smelter royalty ("NSR") on all metals recovered from operations, with Solid retaining 100% of the net profits following payment of the aforementioned NSR. Solid will be deemed the project operator, and will be responsible for the day-to-day operations.

On January 9, 2014, the Company and our wholly-owned subsidiary, Ruby Gold, Inc. ("RGI"), executed a definitive joint-venture agreement (the "Ruby JV Agreement"), with regard to the mining and exploitation of the Ruby Mine in Sierra County, California (the "Ruby"). Under the terms of the Ruby JV Agreement, the Company will fund Ruby through loans, as needed, to maintain the property and operations thereof. RGI will remain the owner and operator of Ruby, and the Company shall be apportioned a 50% interest of net income distribution from Ruby once all debt has been extinguished.

With the exception of the Ruby Mine and the Fraser River Project, we currently do not control any properties with active or impending mining underway. The Ruby Mine has begun work to rehabilitate the Ruby tunnel and has initiated bulk sampling, and the Fraser River Project has begun initial test pit excavations, but there is no guarantee yet that commercial production of gold can commence.

As of March 31, 2014, we own the mineral rights to 186 mining claims in British Columbia encompassing an aggregate of 40,175 acres (16,265 hectares). This is a snapshot in time, and the number may be quite different six months or one year from now. The Company has a very active exploration program in place, which on a daily basis will add new claims, drop or reduce the size of others, and maintain the rest. All of our claims are under constant review, and may be decreased or further increased at any time, depending on the constant re-evaluation of our present holdings, and the availability of new opportunities in the future as other claims of merit become available for acquisition. Our mineral property acquisition costs are capitalized, and our mineral property exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property are capitalized. To date the Company has not established any reserves on its claims. Our acquisition of any mining claim in British Columbia conveys the mineral or placer rights for mining-related purposes only, and while our rights allow us to use the surface of a claim for mining and exploration activities, our claims do not convey any other surface, residential or recreational rights to the Company. Additionally, our right to extraction is not absolute, as any mechanized extraction work on claims in BC requires additional permits and possibly conversion of our claims to mining leases, the approval of

which is not guaranteed. Based on the limitations of our claims and unproven reserves, all capitalized costs on our claims in British Columbia were expensed as of March 31, 2014.

We currently generate income from claim sales and joint-venture agreements. When we sell a claim, we capture near-term income, but forego any possibility of a future revenue stream. When we enter into a joint-venture, we receive near-term income as well as a commitment for future revenue, but since the joint-venture partner has the option to withdraw at any time, we cannot project revenue from a joint-venture into the future. However, should a joint-venture partner withdraw, we still retain control of the asset, and can therefore enter into another joint-venture with another partner, develop the property ourselves, or else elect to sell the claims.

We expect to generate near-term income growth through claim sales and joint-venture activities. However, there is no assurance that the Company can successfully secure new joint-venture partnerships on terms that are satisfactory to the Company.

We expect to generate long-term revenue from our acquisition of the Ruby Mine, through the acquisition of additional mines, and by the development of our properties, either independently or through joint-venture partners, into operating mines. There is no assurance that these efforts will be successful, or that the projects will be economically viable.

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Going Concern

Our consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated modest revenues since inception and has never paid any dividends and is unlikely to pay dividends. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploration of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. The Company has had very little operating history to date. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

We have experienced recurring net losses from operations, which losses have caused an accumulated deficit of $15,947,496 as of March 31, 2014. In addition, we have a working capital deficit of $3,146,936 as of March 31, 2014. We had a net loss of $412,343 for the three months ended March 31, 2014, and we had net losses of $2,059,305 and $2,119,706 for the years ended December 31, 2013 and 2012, respectively. These factors, among others, raise substantial doubt about our ability to continue as a going concern. If we are unable to generate profits and are unable to continue to obtain financing to meet our working capital requirements, we may have to curtail our business sharply or cease operations altogether. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis to retain our current financing, to obtain additional financing, and, ultimately, to attain profitability. Should any of these events not occur, we will be adversely affected and we may have to cease operations.

As of December 31, 2013 the accumulated deficit attributable to CEO stock awards, including previous management, and valued according to GAAP, totals $2,558,535 since inception in 2004. As of December 31, 2013 the accumulated deficit attributable to CEO compensation is $820,474 in deferred compensation. This reflects the total amounts unpaid as per the management agreement with The PAN Network dating back to January 2006, less any amounts actually paid or forgiven since 2006. These totals are non-cash expenses which are included in the accumulated deficit since inception. Actual CEO compensation paid in cash over the course of the seven years since 2006 consists of $10,000 in 2006, $50,764 in 2007, $23,139 in 2008, $29,979 in 2009, $21,988 in 2010, $90,000 in 2011, $116,000 in 2012, and $100,000 in 2013. These cash expenditures are also included in the accumulated deficit.

The ongoing execution of our business plan is expected to result in operating losses over the next twelve months. Management believes it will need to raise capital through loans or stock issuances in order to have enough cash to maintain its operations for the next twelve months. There are no assurances that we will be successful in achieving our goals of obtaining cash through loans, stock issuances, or increasing revenues and reaching profitability.

In view of these conditions, our ability to continue as a going concern is dependent upon our ability to meet our financing requirements, and to ultimately achieve profitable operations. Management believes that its current and future plans provide an opportunity to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that may be necessary in the event we cannot continue as a going concern.

Summary of Significant Accounting Policies

Revenue Recognition

The company has recognized no mining revenue to date. In the future mining revenue will be recognized according to the policy described below.

Revenue is recognized when the following conditions are met:

(a) persuasive evidence of an arrangement to purchase exists;
(b) the price is fixed or determinable;
(c) the product has been delivered; and
(d) collection of the sales price is reasonably assured.

Under the terms of concentrate sales contracts with third-party smelters, final prices for the gold, silver, zinc, copper and lead in the concentrate are set based on the prevailing spot market metal prices on a specified future date based on the date that the concentrate is delivered to the smelter. The Company records revenues under these contracts based on forward prices at the time of delivery, which is when transfer of legal title to concentrate passes to the third-party smelters. The terms of the contracts result in differences between the recorded estimated price at delivery and the final settlement price. These differences are adjusted through revenue at each subsequent financial statement date.

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Mineral Property Costs

Mineral property acquisition costs are capitalized upon acquisition. Mineral property exploration and improvement costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven or probable reserves, the costs incurred to develop such property are capitalized. To date the Company has not established any proven or probable reserves on its mineral properties.

The Company reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the review indicates that the carrying amount of the asset may not be recoverable, the potential impairment is measured based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on the differences between the financial reporting basis and the tax basis of the assets and liabilities, and are measured using enacted tax rates that will be in effect when the differences are expected to reverse.

The Company adopted the provisions of the FASB interpretation related to accounting for uncertainty in income taxes, which seeks to reduce the diversity in practice associated with the accounting and reporting for uncertainty in income tax positions. The Company believes it does not have any uncertain tax positions taken or expected to be taken in its income tax returns.

Fair Value of Financial Instruments

The Company adopted the FASB standard related to fair value measurement at inception. The standard defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows.

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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The Company values its derivative instruments related to embedded conversion features and warrants from the issuance of convertible debentures in accordance with the Level 3 guidelines. For the three month period ended March 31, 2014, the following table reconciles the beginning and ending balances for financial instruments that are recognized at fair value in these consolidated financial statements. The fair value of embedded conversion features that have floating conversion features and tainted common stock equivalents (warrants and convertible debt) are estimated using a Binomial Lattice model. The key inputs to this valuation model as of March 31, 2014, were: Volatility of 158% - 165%, inherent term of instruments equal to the remaining contractual term, quoted closing stock prices on valuation dates, and various settlement scenarios and probability percentages summing to 100%.

	Balance at December 31, 2013	New Issuances	Settlements	Changes in Fair Values	Balance at March 31, 2014
Level 3 – Derivative liabilities from:					
Conversion features – embedded derivative	$ 156,761	$ 238,595	$ (36,033)	$ (50,270)	$ 309,053
Conversion features – tainted equity	391,686	229,339	-	(254,250)	366,775
Warrants – tainted equity	148,201	-	-	(45,873)	102,328
	$ 696,648	$ 467,934	$ (36,033)	$ (350,393	$ 778,156

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments. The significant unobservable input used in the fair value measurement is the estimation for probability percentages assigned to future expected settlement possibilities. A significant increase (decrease) in this distribution of percentages would result in a higher (lower) fair value measurement.

The following table presents assets and liabilities that were measured and recognized at fair value as of December 31, 2013 and the year then ended on a recurring basis:

Description	Level 1	Level 2	Level 3	Total Unrealized Gain
Available For Sale Securities	$ 22,500	$ -	$ -	$ 2,500
Totals	$ 22,500	$ -	$ -	$ 2,500

Description	Level 1	Level 2	Level 3	Total Unrealized Loss
Derivate Liability – Advances on Gold	$ -	$ 22,223	$ -	$ 22,223
Totals	$ -	$ 22,223	$ -	$ 22,223

The following table presents assets that were measured and recognized at fair value as of March 31, 2014:

Description	Level 1	Level 2	Level 3	Total Unrealized Gain
Available For Sale Securities	$ 22,500	$ -	$ -	$ -
Totals	$ 22,500	$ -	$ -	$ -

Description	Level 1	Level 2	Level 3	Total Unrealized Loss
Derivate Liability – Advances on Gold	$ -	$ 5,556	$ -	$ -
Totals	$ -	$ 5,556	$ -	$ -

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The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of March 31, 2014 and December 31, 2013:

	Fair Value Measurements at March 31, 2014		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 177,750	$ -	$ -
Certificates of Deposit	172,965		
Total assets	350,715	-	-
Liabilities			
Advance Gold Sales	-	49,955	-
Convertible notes	-	986,115	-
Note payable, Ruby	-	1,760,130	-
Notes payable, equipment	-	37,300	-
Total liabilities	-	2,833,500	-
	$ 350,715	$ (2,833,500)	$ -

	Fair Value Measurements at December 31, 2013		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 133,873	$ -	$ -
Certificates of Deposit	172,880		
Total assets	306,753	-	-
Liabilities			
Advance Gold Sales	-	195,711	-
Convertible notes	-	836,858	-
Note payable, Ruby	-	1,832,638	-
Notes payable, equipment	-	41,687	-
Total liabilities	-	2,906,894	-
	$ 306,753	$ (2,906,894)	$ -

The fair values of our debts are deemed to approximate book value, and are considered Level 2 inputs as defined by ASC Topic 820-10-35.

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the three months ended March 31, 2014 or the year ended December 31, 2013.

The Company had no other assets or liabilities valued at fair value on a recurring or non-recurring basis for the three months ended March 31, 2014 or the year ended December 31, 2013.

Stock Based Compensation

Beginning January 1, 2006, the Company adopted the FASB standard related to stock based compensation. The standard requires all share-based payments to employees (which includes non-employee Directors), including employee stock options, warrants and restricted stock, be measured at the fair value of the award and expensed over the requisite service period (generally the vesting period). The fair value of common stock options or warrants granted to employees is estimated at the date of grant using the Black-Scholes option pricing model by using the historical volatility of comparable public companies. The calculation also takes into account the common stock fair market

value at the grant date, the exercise price, the expected life of the common stock option or warrant, the dividend yield and the risk-free interest rate.

The Company from time to time may issue stock options, warrants and restricted stock to acquire goods or services from third parties. Restricted stock, options or warrants issued to other than employees or directors are recorded on the basis of their fair value, which is measured as of the date required by the Emerging Issues Task Force guidance related to accounting for equity instruments issued to non-employees. In accordance with this guidance, the options or warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying equity instrument on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance, is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. As of March 31, 2014, no options or warrants have been issued for compensation and none are outstanding. As of March 31, 2014, 20.5 million warrants have been issued and are outstanding in connection with the Ruby Mine Purchase Option Agreement executed on September 27, 2010.

Beneficial Conversion Feature

From time to time, the Company may issue convertible notes that may have conversion prices that create an embedded beneficial conversion feature pursuant to the Emerging Issues Task Force guidance on beneficial conversion features. A beneficial conversion feature exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of any attached equity instruments, if any related equity instruments were granted with the debt. In accordance with the guidance, the intrinsic value of the beneficial conversion feature is recorded as a debt discount with a corresponding amount to additional paid in capital. The debt discount is amortized to interest expense over the life of the note using the effective interest method.

Deferred Financing Costs

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of Convertible Note transactions. These amounts are capitalized to Deferred Financing Costs and amortized over the term of the note. Amortization is provided on a straight-line basis over the terms of the respective debt instruments to which the costs relate and is included in interest expense. The difference between the straight line and effective interest methods is immaterial due to the short term nature of the convertible notes.

Accounting for Derivative Instruments

All derivatives have been recorded on the balance sheet at fair value based on the lattice model calculation. These derivatives, including embedded derivatives in the Company's convertible notes which have floating conversion prices based on changes to the quoted price of the Company's common stock and common stock equivalents tainted as a result of the derivative, are separately valued and accounted for on the Company's balance sheet. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

Lattice Valuation Model

The Company valued the conversion features in their convertible notes and tainted warrants using a lattice valuation model, with the assistance of a valuation consultant. The lattice model values these instruments based on a probability weighted discounted cash flow model. The Company uses the model to develop a set of potential scenarios. Probabilities of each scenario occurring during the remaining term of the instruments are determined based on conversion prices relative to current stock prices, historic volatility, and estimates on investor behavior. These probabilities are used to create a cash flow projection over the term of the instruments and determine the probability that the projected cash flow will be achieved. A discounted weighted average cash flow for each scenario is then calculated and compared to the discounted cash flow of the instruments without the compound embedded derivative in order to determine a value for the compound embedded derivative.

Income/Loss Per Share of Common Stock

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for the periods presented. As of March 31, 2014 and December 31, 2013, there were 57,744,955 and 56,852,098 common stock equivalents outstanding, respectively.

Results of Operations for the Three months Ended March 31, 2014 Compared to Results of Operations for the Three months Ended March 31, 2013

Gains from Other Income. For the three months ended March 31, 2014 and March 31, 2013, the Company's other income related to mineral claim sales and other income from joint-ventures in British Columbia was $0 and $113,499, respectively. The Company has spent $6,480 and $10,950 in mineral property maintenance costs during each respective period in order to generate cash flows, consisting primarily of British Columbia claim registration and maintenance fees. The decrease is due to exploration expenditures that extended the good-until date of some of our principal properties for several years into the future that consequently reduced our total annual claim fees.

Operating Expenses. For the three months ended March 31, 2014, the Company had operating expenses of $465,229, which included general and administrative expenses of $94,882 and mining property costs of $284,745. Operating expenses for the three months ended March 31, 2013 were $181,947, which included general and administrative expenses of $81,008 and mining property costs of $46,901. Our increase in operating expenses was mainly from rehabilitation and construction costs at the Ruby Mine, and exploration expenditures incurred in British Columbia.

Net Loss. For the three months ended March 31, 2014, we had a net loss of $412,343. Our net loss for the three months ended March 31, 2013 was $590,421. The decrease in our net loss was attributed primarily to a gain on derivative liability.

Results of Operations for the Year Ended December 31, 2013 Compared to Results of Operations for the Year Ended December 31, 2012

Gains from Other Income. For the twelve months ended December 31, 2013 and December 31, 2012, the Company's other income related to mineral claim sales and other income from joint-ventures in British Columbia was $243,499 and $37,000, respectively. The Company has spent $35,028 and $68,536 in mineral property maintenance costs during each respective period in order to generate cash flows, consisting primarily of British Columbia claim registration and maintenance fees. The decrease is due to claim sales that reduced our inventory of claims, and exploration expenditures that extended the good-until date of some of our principal properties for several years into the future that consequently reduced our total annual claim fees.

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Operating Expenses. For the year ended December 31, 2013, the Company had operating expenses of $1,412,211, which included general and administrative expenses of $342,469 and mining property costs of $847,496. Operating expenses for the year ended December 31, 2012 were $1,124,691, which included general and administrative expenses of $339,524 and mining property costs of $591,926. Our increase in operating expenses was mainly from rehabilitation and construction costs at the Ruby Mine, and exploration expenditures incurred in British Columbia.

Net Loss. For the year ended December 31, 2013, we had a net loss of $2,059,305. Our net loss for the year ended December 31, 2012 was $2,119,706. The decrease in our net loss was attributed primarily to an increase in income from claim sales and a decrease in derivative liability charges.

Liquidity and Capital Resources

The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan. Since its inception, the Company has been funded primarily by its founders, board members, employees and persons related to or acquainted with these, the sale of securities, and the issuance of debt. To remedy the current deficiency in our liquidity position, we will raise funds through our equity credit line established with Tangiers Investors, LP (see Exhibit 10.0 under Item 15 herein), additional equity offerings, strategic agreements with partner companies, and debt. We currently have no external sources of liquidity and internal sources (revenue from sales) are very limited. Excluding management fees, which are often deferred as-needed, the Company has required approximately $7,000 per month to maintain its mineral claims in British Columbia in good standing and pay general administrative expenses. We believe these expenses can be maintained at present levels for the foreseeable future. Going forward, as a fully-reporting company, we estimate it will cost an additional $2,500 to $5,000 per month in SEC compliance fees, consisting primarily of accounting, legal, and edgarization fees. The Company believes it can generate enough revenue from claim sales and joint-ventures to cover these costs, and we believe we can rely on our equity credit line established with Tangiers to make up for any revenue shortfall. If we cannot generate sufficient revenue or raise additional funds through equity, we may not be able to maintain our mineral claims or make timely filings with the SEC.

In FY 2014, our mortgage on the Ruby Mine property requires us to make payments in aggregate of $60,000 per month, consisting of $20,000 on the 1st of each month, and an additional $40,000 by the 20th day of each month. As of March 31, 2014, the balance due on the mortgage is $1,760,130. The Company believes it can rely on revenue from claims sales and joint ventures, and from loans and our equity credit line established with Tangiers to make up for any revenue shortfall. If we cannot generate sufficient revenue or raise additional funds through equity or loans, we may not be able to maintain our mortgage on the Ruby Mine.

As of March 31, 2014, total current assets were $177,750, which consisted entirely of cash. As of December 31, 2013, total current assets were $133,873, which consisted entirely of cash.

As of March 31, 2014 and December 31, 2013, our total current liabilities were $3,324,686 and $3,383,679, respectively. The net decrease in current liabilities is primarily due to a decrease in the net current portion of the Ruby Mine mortgage.

We had a working capital deficit of $3,146,936 as of March 31, 2014, and a working capital deficit of $ 3,249,806 as of December 31, 2013.

During the three months ended March 31, 2014, operating activities used cash of $388,328 as compared to the three months ended March 31, 2013, where we used cash of $131,003 in operating activities. The increase in cash used by operating activities for the three months ended March 31, 2014 was due primarily to a change in derivative liability.

We had a net increase in cash of $43,877 for the three months ended March 31, 2014. Cash flows financing activities represented the Company's principal source of cash for the three months ended March 31, 2014. Cash flows from financing activities during the three months ended March 31, 2014 were $431,205, consisting primarily of proceeds from the issuance of stock and convertible debt. During the fiscal year ended December 31, 2013, we received $1,235,875 from financing activities, consisting primarily of proceeds from the issuance of stock and convertible debt.

On January 31, 2014, the Company issued two $50,000 Convertible Redeemable Notes ("the Note", or collectively "the Notes") to GEL Properties, LLC ("GEL", or "the Lender"). Each Note carries a 10% original issue discount (the "OID"), such that the outstanding balance upon the issuance of each Note is $55,000. Each Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 5% per annum. The Notes may be converted to shares of Common Stock of the Company at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. The initial tranche received from this transaction was $50,000, less $2,500 in legal fees, and a commission paid to Carter Terry & Company, a registered broker-dealer, consisting of $4,000 in cash.

On February 3, 2014, the Company issued two $30,000 Convertible Redeemable Notes ("the LG Note", or collectively "the Notes") to LG Capital Funding, LLC ("LG", or "the Lender"). Each LG Note carries a 10% original issue discount (the "OID"), such that the outstanding balance upon the issuance of each LG Note is $33,000. Each LG Note has a maturity date of nine (9) months from the Effective Date, and accrues interest at 5% per annum. The Notes may be converted to shares of Common Stock of the Company at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. The initial tranche received from this transaction was $30,000, less $1,500 in legal fees, and a commission paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,400 in cash.

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On March 13, 2014, the Company issued a $35,000 Convertible Redeemable Note (the “Note”) to LG Capital Funding LLC ("LG", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,750 in transaction fees. The Note has a maturity date of nine (9) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,800 in cash.

On March 13, 2014, the Company issued a $30,000 Convertible Redeemable Note (the “Note”) to Union Capital LLC ("Union", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,500 in transaction fees. The Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,400 in cash.

On March 27, 2014, the Company issued a $50,000 Convertible Promissory Note (the “Note”) to Beaufort Capital Partners LLC ("Beaufort", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID"). The Note has a maturity date of six (6) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note is prepaid in cash, the Lender has the right at its election upon maturity of the Note to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Registrant. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $4,000 in cash.

Recent Material Developments

Commitments and Contingencies

During the second quarter of fiscal 2013, the Company discovered it had offered and sold certain shares of common stock without registration under the Securities Act of 1933 (the “Securities Act”), as amended, during the period from October 24, 2011 through April 25, 2013. Pursuant to Section 10(a)(3) of the Securities Act, by the time our prospectus had been in use for 9 months from the effective date of January 24, 2011, the balance sheet date of the audited financial statement contained in our prospectus was more than 16 months old, and had not been refreshed to present our current financial statements within said prospectus. This inadvertent technical failure to update our prospectus according to Section 10(a)(3) of the Securities Act may have caused our prospectus to no longer be effective as of October 24, 2011. As a result, purchasers of these securities may have the right to rescind their purchases for an amount equal to the purchase price paid for the securities, plus interest from the date of purchase,

limited to the unregistered shares purchased from the original seller and still held by the original purchaser. The federal Securities Act requires that any claim for rescission be brought within one year of reporting the violation. The time periods within which claims for rescission must be brought under state securities laws vary and may be two years or more from the transaction date. As of the date of this prospectus, approximately 10 million shares of our outstanding common stock are subject to possible rescission. The maximum potential liability as of March 31, 2014 and December 31, 2013 was $682,402 and $667,758, respectively. These amounts include interest at 10% per annum from the date of the respective purchases. Due to the shares being redeemable by the holder since their inception, the shares are required to be classified outside of permanent equity on the balance sheet. Since redemption is uncertain and outside of the Company's control the shares are classified within the mezzanine section of the balance sheet at their respective redemption values. Any differences between the cash received and the redemption value was recorded to additional paid in capital. Interest of 10% is being accrued on the values and is recorded through additional paid in capital consistent with the appropriate accounting guidance covering the accounting treatment of mezzanine instruments.

Restatements

These restatements reclassify as temporary equity certain issuances of unregistered common stock issued during the time period from October 24, 2011 through April 25, 2013 and which may be deemed to be redeemable. These shares have been moved to the mezzanine portion of our balance sheet at their redemption values.

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Recent Developments

On January 15, 2014, the Company announced that the Board of Directors has approved a plan to spinoff the Company's wholly-owned subsidiary, Ruby Gold, Inc. ("RGI") as a separate independent company.

On February 18, 2014, Ruby Gold, Inc., our wholly-owned subsidiary announced that it has appointed Mr. William S. Watters, P.E., as the RGI's Chief Operating Officer and Ruby Mine Manager, effective March 3, 2014.

On March 7, 2014, the Company announced that the new Ruby Mine Manager has ordered that test mining in the White Channel be suspended, drilling of new targets elsewhere in the Ruby Tunnel will proceed forward, and the work to complete the Big Bend Raise into the Black Channel will be accelerated to complete this task as soon as possible.

On March 12, 2014, the Company announced that the registration statement on Form 10 filed by RGI in January has been withdrawn and would soon be replaced with a registration statement on Form S-1. The Company also announced our intention to distribute 120 million shares of RGI to North Bay shareholders as a special stock dividend. This amounts to 40% of the issued and outstanding shares of RGI common stock currently held by North Bay.

On March 18, 2014, the Company announce that the Company has engaged the firm of Golder Associates Ltd. to conduct a Heritage Impact Assessment ("HIA") on our Fraser River Project near Lytton, British Columbia. The survey work began in April 2014, and is expected to be completed in Q3, 2014.

On April 9, 2014 the Company announced it acquired the previously abandoned Carson Mine through the staking of new claims adjacent to the northern border of the Ruby Mine property in Sierra County, California. The Company has also staked additional claims near the Ruby Adit to cover in its entirety the Discovery Channel, a new previously unknown channel that was identified as a direct result of a recent gravity survey and geological mapping.

On June 5, 2014, our wholly-owned subsidiary Ruby Gold, Inc. announced that it has engaged Taurus Drilling LLC ("Taurus") of Lake Havasu City, Arizona, to complete the drilling of nearby mining targets at the Ruby Mine in Sierra County, California. The drilling commenced on June 9, 2014.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

Disclosures about Reclassification Adjustments out of Accumulated Other Comprehensive Income

In July 2013, the FASB issued ASU No. 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU No. 2013-11”). This pronouncement provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This pronouncement is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2013. The Company will adopt the provisions of ASU No. 2013-11 on January 1, 2014. We do not anticipate the provisions of ASU No. 2013-11 to have a material impact on to the Company’s condensed consolidated financial statements.

In February 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which added new disclosure requirements for items reclassified out of accumulated other comprehensive income. The update required entities to disclose additional information about reclassification adjustments, including changes in accumulated other comprehensive income balances by component and significant items reclassified out of accumulated other comprehensive income. The update became effective for us in the first quarter of 2013. This update had no material impact on our financial statements.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued an accounting standards update which provided, subject to certain conditions, the option to perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The update became effective for us in the first quarter of 2013. This update had no material impact on our financial statements.

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DESCRIPTION OF PROPERTY

Our principal offices are located at 2120 Bethel Road, Lansdale PA 19446. The property is a suite containing approximately 600 square feet on a 5.5-acre complex owned by the Company's Chief Executive Officer. The property is provided by way of a management agreement with The PAN Network, which bundles the office space along with other general administrative services, including the services of our Chief Executive Officer, with a commitment of $18,000 per month. The term of the agreement is one year, and automatically renews annually on January 1 of each year unless otherwise terminated by either party. Any fees unpaid automatically accrue to deferred compensation. The PAN Network maintains fire and casualty insurance on the property in an amount deemed adequate by management. We believe our current location is adequate for our current business and will serve our near term needs for office space.

Our ownership interest in each of our mining properties is described above under "Description of Business."

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In August 2009, the Board of Directors approved and the Company executed a management agreement with The PAN Network, a private business management and consulting company wholly-owned by the Company's Chief Executive Officer. The agreement is in consideration of $18,000 per month, and calls for PAN Network to provide (a) office and board room space, including reception, utilities, landline phone/fax, computers, copiers, projectors, and miscellaneous services; (b) financial services, including accounting, corporate filing and bookkeeping; (c) project and administrative services; (d) resource targeting, acquisition, development and management services; (e) marketing services, communications, marketing materials management, and writing services; (f) strategic planning, milestone management and critical path analysis; and (g) online services, including web site hosting, web site design, web site maintenance, and email services. The agreement includes Mr. Leopold's salary of $15,000 per month, which will accrue entirely to deferred compensation during any period in which the commitment remains unpaid. The term of the agreement is one year, and automatically renews annually on January 1 each year unless otherwise terminated by either party. During the year ended December 31, 2013, $100,000 of the amount due was paid in cash, and $116,000 accrued to deferred compensation. On December 9, 2013, the Company issued five million (5,000,000) shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of issuance.

During the twelve month period ended December 31, 2012, all 100,000 outstanding shares of the Series G Convertible Preferred that were previously issued to Mr. Leopold in August 2009 were cancelled at the request of and consent of Mr. Leopold, the sole shareholder of the class. Subsequent to the cancellation of said shares, a Certificate of Elimination of the Series G Convertible Preferred Stock was filed with the Secretary of State of the State of Delaware to eliminate entirely the Series G Convertible Preferred stock designation from our Articles of Incorporation.

During the twelve month period ended December 31, 2013, director Fred Michini was paid $10,000 in director fees, which was paid as 277,778 shares of stock valued at the closing market price of our common stock on the date of issuance.

There are no other related party transactions other than the above listed transaction.

MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is currently traded on OTCQB, under the symbol NBRI.

The following table sets forth, for the periods indicated, the high and low bid prices of the Company's Common Stock traded on the OTCBB and OTCQB for the fiscal years ended December 31, 2013, and December 31, 2012, and as of the date of this prospectus. The quotations are split-adjusted and reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

	Common Stock			
Fiscal Year 2014		High		Low
First Quarter	$	0.051	$	0.020
Second Quarter	$	0.033	$	0.01
Third Quarter (through July 9, 2014)	$	0.015	$	0.01

	Common Stock			
Fiscal Year 2013		High		Low
First Quarter	$	0.13	$	0.03
Second Quarter	$	0.12	$	0.03
Third Quarter	$	0.095	$	0.04
Fourth Quarter	$	0.065	$	0.028

	Common Stock			
Fiscal Year 2012		High		Low
First Quarter	$	0.14	$	0.075
Second Quarter	$	0.10	$	0.052
Third Quarter	$	0.11	$	0.055
Fourth Quarter	$	0.074	$	0.041

Holders. As of the date of this prospectus, our common stock was held by approximately 1,786 shareholders of record.

Dividends. We have never declared or paid a cash dividend. There are no restrictions on the common stock or otherwise that limit our ability to pay cash dividends if declared by the Board of Directors. We do not anticipate declaring or paying any cash dividends in the foreseeable future.

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On December 2, 2013, the Board of Directors authorized the spinoff of our wholly-owned subsidiary, Ruby Gold, Inc. (“RGI”) as a separate and independent public company. Once the spinoff is complete, the Company intends to issue a special stock dividend based on a ratio yet to be determined. Shareholders who are eligible to receive such stock dividend will be holders of common stock of North Bay as of the record date, which has yet to be set by the Board of Directors of the Company. On January 14, 2014, RGI filed a registration statement on Form 10 with the SEC to initiate said spinoff. After the RGI registration statement on Form 10 is deemed effective, the Board of Directors of the Company intends to then determine the date and ratio for the distribution of shares from the spin-off and a news release announcing the record date will be issued at that time. Other than the authorization for said spinoff by our Board of Directors and the Board of RGI, there are no agreements, formal or otherwise, in place between the respective companies, any affiliate of either company, or any other parties governing the spinoff, and no shareholder approvals are required. On March 10, 2014, RGI withdrew the Form 10 after discussions with the SEC and subsequently filed a registration statement on Form S-1on May 1, 2014, to register 120 million shares of RGI as the stock dividend to be issued to our shareholders in the spinoff, which amounts to 40% of the issued and outstanding shares of RGI common stock currently owned by North Bay. As of the date of this prospectus, RGI’s registration statement is not yet effective, no determination has yet been made as to whether or not the stock dividend will be tax-free, there has been no further determination as to when the spinoff and stock dividend distribution might be completed, and there is no guarantee that it will be completed.

The Securities Enforcement and Penny Stock Reform Act of 1990

The Securities and Exchange Commission has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a price of less than $5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system). Our shares are currently subject to the penny stock rules.

A purchaser is purchasing penny stock which limits the ability to sell the stock. The classification of penny stock makes it more difficult for a broker-dealer to sell the stock into a secondary market, which makes it more difficult for a purchaser to liquidate his/her investment. Any broker-dealer engaged by the purchaser for the purpose of selling his or her shares in us will be subject to Rules 15g-1 through 15g-10 of the Securities and Exchange Act. Rather than creating a need to comply with those rules, some broker-dealers will refuse to attempt to sell penny stock.

The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the Commission, which:

- contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading;

- contains a description of the broker’s or dealer’s duties to the customer and of the rights and remedies available to the customer with respect to a violation to such duties or other requirements of the Securities Act of 1934, as amended;

- contains a brief, clear, narrative description of a dealer market, including “bid” and “ask” prices for penny stocks and the significance of the spread between the bid and ask price;

- contains a toll-free telephone number for inquiries on disciplinary actions;

- defines significant terms in the disclosure document or in the conduct of trading penny stocks; and

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contains such other information and is in such form (including language, type, size and format) as the Securities and Exchange Commission shall require by rule or regulation.

- The broker-dealer also must provide, prior to effecting any transaction in a penny stock, to the customer:

- the bid and offer quotations for the penny stock;

- the compensation of the broker-dealer and its salesperson in the transaction;

- the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and

- monthly account statements showing the market value of each penny stock held in the customer’s account.

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In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement to transactions involving penny stocks, and a signed and dated copy of a written suitability statement. These disclosure requirements have the effect of reducing the trading activity in the secondary market for our stock. Thus, stockholders may have difficulty selling their securities.

Securities Authorized for Issuance Under Equity Compensation Plans

None.

Transfer Agent

Our transfer agent is Colonial Stock Transfer Co., Inc., 66 Exchange Place, Salt Lake City, UT 84111, phone number (801) 355-5740.

Issuer purchase of equity securities

There were no issuer purchases of securities during the period covered by this report.

EXECUTIVE COMPENSATION

The Company accrued or paid compensation to the Chief Executive Officer for services rendered to the Company in all capacities during the fiscal years shown in the Summary Compensation Table below. Deferred compensation accrued in 2013 and 2012 was $116,000 and $100,000. These amounts represent the total deferred compensation of $216,000 expensed during each period, less $100,000 and $116,000 actually paid or settled in 2013 and 2012, respectively, as per the management agreement with The PAN Network, a private business management and consulting company wholly-owned by the Company's Chief Executive Officer. The agreement is in consideration of $18,000 per month. The agreement includes Mr. Leopold's base salary of $15,000 per month, and accrues entirely to deferred compensation during any period in which the commitment remains unpaid, which would be $216,000 in total deferred compensation annualized if no payments were made during the year.

Overview

The following is a discussion of our program for compensating our named executive officers and directors. Currently, we do not have a compensation committee, and as such, our Board of Directors is responsible for determining the compensation of our named executive officers.

Compensation Program Objectives and Philosophy

The primary goals of our policy of executive compensation are to attract and retain the most talented and dedicated executives possible, to assure that our executives are compensated effectively in a manner consistent with our strategy and competitive practice.

The Board of Directors considers a variety of factors in determining compensation of executives, including their particular background and circumstances, such as their training and prior relevant work experience, their success in attracting and retaining savvy and technically proficient managers and employees, increasing our revenues, broadening our product line offerings, managing our costs and otherwise helping to lead our Company through a period of rapid growth.

In the future, we expect that our Board of Directors will form a compensation committee charged with the oversight of executive compensation plans, policies and programs of our Company and with the full authority to determine and approve the compensation of our chief executive officer and make recommendations with respect to the compensation of our other executive officers. We expect that our compensation committee will continue to follow the general approach to executive compensation that we have followed to date, rewarding superior individual and Company performance with commensurate cash compensation.

Elements of Compensation

Our compensation program for the named executive officers consists primarily of base salary and a non-qualified deferred compensation plan. There is no retirement plan, long-term incentive plan or other such plans, although Mr. Leopold's agreement has a bonus plan, subject to the Board's discretion. The Company is an exploration stage company with limited revenue. As such, we have not yet obtained a consistent revenue stream with which to fund employee salaries and bonus plans. The base salary we provide is intended to equitably compensate the named executive officers based upon their level of responsibility, complexity and importance of role, leadership and growth potential, and experience.

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Base Salary

We have deferred salary compensation for our CEO, Mr. Perry Leopold. Mr. Leopold's services are provided under an agreement with PAN Network, a private business management and consulting company wholly-owned by the Company's Chief Executive Officer. The agreement is in consideration of $18,000 per month. The agreement includes Mr. Leopold's base salary of $15,000 per month, and accrues entirely to deferred compensation during any period in which the commitment remains unpaid. Although the Company has had an accumulated deficit in the previous year of operations, Mr. Leopold's salary is set pursuant to an agreement that the Company has entered into with the PAN Network. Our named executive officers receive base salaries commensurate with their roles and responsibilities. Base salaries and subsequent adjustments, if any, are reviewed and approved by our Board of Directors annually, based on an informal review of relevant market data and each executive's performance for the prior year, as well as each executive's experience, expertise and position. The base salaries paid to our named executive officers are reflected in the Summary Compensation Table below.

Non-Qualified Deferred Compensation

The Company has adopted an unfunded Non-Qualified Deferred Compensation Plan to recognize unpaid compensation owed to our Chief Executive Officer Under this Plan, the Company is not required to reserve funds for compensation, and is only obligated to pay compensation when and if funds are available. Any amounts due but unpaid automatically accrue to deferred compensation. The Plan has the option to be renewed annually at the discretion of the Company. While unfunded and non-recourse, for compliance with GAAP this is disclosed as an accrued expense on the balance sheet. As of December 31, 2013 and 2012, the outstanding balance of the Plan is $820,474 and $884,474, respectively. There is no accrued interest associated with the Plan.

In 2007, 2008, and 2009, our Chief Executive Officer was awarded restricted stock bonuses in recognition of the Company's inability to provide cash compensation. These restricted stock bonuses were in addition to, and not in lieu of, the deferred base salary compensation. The value of common shares was based on the market closing price on the day of issuance. The value of preferred shares was valued according to the closing price of the common stock the preferred shares were convertible into on the day of issuance, plus the value of the control premium from voting rights assigned to certain preferred share issuances. The valuations of these issuances are shown below:

Date	Type of Stock	Number of Shares		Value
2/12/2007	Preferred (I)	100	$	101,000
2/9/2007	Common	250,000	$	31,250
12/21/2007	Common	10,000,000	$	900,000
12/16/2008	Common	2,500,000	$	50,000
8/11/2009	Preferred (A) (G)(1)	4,100,000	$	253,785

There were no stock awards or bonuses of any kind to our Chief Executive Officer in 2010, 2011, 2012 or 2013. In 2011 and again in 2013, Mr. Leopold elected to reduce the amount of deferred compensation owed to him by $180,000 through the issuance of 2 million and 5 million shares of stock, respectively. These transactions are considered a purchase, and shares were valued as of the closing market price on the day of issuance.

(1)On July 25, 2012, all 100,000 outstanding shares of the Series G Convertible Preferred that were previously issued to Mr. Leopold in August 2009 were cancelled at the request of and consent of Mr. Leopold, the sole shareholder of the class. Subsequent to the cancellation of said shares, a Certificate of Elimination of the Series G Convertible Preferred Stock was filed with the Secretary of State of the State of Delaware to eliminate entirely the Series G Convertible Preferred stock designation from our Articles of Incorporation.

Employment Agreements

During 2009, the Board of Directors approved and the Company executed a management agreement with The PAN Network, a private business management and consulting company wholly-owned by the Company's Chief Executive Officer. The agreement is in consideration of $18,000 per month, and calls for PAN to provide (a) office and board room space, including reception, utilities, landline phone/fax, computers, copiers, projectors, and miscellaneous services; (b) financial services, including accounting, corporate filing and bookkeeping; (c) project and administrative services; (d) resource targeting, acquisition, development and management services; (e) marketing services, communications, marketing materials management, and writing services; (f) strategic planning, milestone management and critical path analysis; and (g) online services, including web site hosting, web site design, web site maintenance, and email services. The agreement includes Mr. Leopold's salary of $15,000 per month, which will accrue entirely to deferred compensation during any period in which the commitment remains unpaid. The term of the agreement is one year, and automatically renews annually on January 1 each year unless otherwise terminated by either party.

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Retirement Benefits

Currently, we do not provide any Company sponsored retirement benefits to any employee, including the named executive officers.

Prerequisites

Historically, we have not provided our named executive officers with any perquisites and other personal benefits. We do not view perquisites as a significant element of our compensation structure, but do believe that perquisites can be useful in attracting, motivating and retaining the executive talent for which we compete. It is expected that our historical practices regarding perquisites will continue and will be subject to periodic review by our Board of Directors.

The following table sets forth the compensation paid to our chief executive officer for each of our last two completed fiscal years. No other officer received compensation greater than $100,000 for either fiscal year.

Summary Compensation Table

Name and Position	Year	Salary ($) (2)	Bonus ($)	Stock Awards ($) (1)	All Other Compensation ($)(3)	Total ($)
Perry Leopold	2013	180,000	-	-	36,000	216,000
Chief Executive Officer	2012	180,000	-	-	36,000	216,000

(1) The values shown in this column represent the dollar amount recognized for financial statement reporting purposes with respect to the 2013 and 2012 fiscal years for the aggregate grant date fair value of stock awards granted in such periods in accordance with FASB ASC Topic 718.
(2) The base salary for Mr. Leopold is included in the management agreement with The PAN Network of $18,000 per month, all of which accrues to deferred compensation in the event it is unpaid when due each month.
(3) All Other Compensation includes additional consideration due to the management contract with The PAN Network, which is wholly-owned by Mr. Leopold. This agreement is for $18,000 per month, which includes Mr. Leopold's base salary of $15,000 per month.

COMPENSATION OF DIRECTORS

Director Compensation for Year Ended December 31, 2013

The following table sets forth with respect to the named director, compensation information inclusive of equity awards and payments made in the year ended December 31, 2013.

Name	Fees Earned or Paid in Cash or Stock ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Perry Leopold	--	--	--	--	--	--	--

Fred Michini	$	-	--	--	--	10,000(2)	$	10,000

(1) Mr. Leopold did not receive any compensation in his capacity as director for the Company in the year ended December 31, 2013.
(2) Mr. Michini received Director Fees of $10,000 during the year ended December 31, 2013 and which was paid in stock.

Compensation Committee Interlocks and Insider Participation

We did not have a compensation committee during the year ended December 31, 2013. During the fiscal year ended December 31, 2013, none of our executive officers served on the Board of Directors of any entities whose directors or officers serve on our Board of Directors.

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Outstanding Equity Awards at Fiscal Year-end.

There were no outstanding equity awards to our executive officers in the most recent fiscal year ended December 31, 2013.

Standard Director Compensation Arrangement

We do not have a standard compensation arrangement for directors.

Stock Option Exercised

There were no stock options exercised on common shares in fiscal year 2013, with respect to the named executives listed in the Summary Compensation Table.

Expense Reimbursement

We will reimburse our officers and directors for reasonable expenses incurred during the course of their performance.

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2014 AND DECEMBER 31, 2013

	Mar 31, 2014	Dec 31, 2013
ASSETS		
Current Assets		
Cash	$ 177,750	$ 133,873
Total Current Assets	177,750	133,873
Other Assets		
Certificates of Deposit	172,965	172,880
Prepaid Expenses	57,373	57,373
Deferred Financing Costs, net	50,630	22,966
Mining Claims – Unproved	1,795,780	1,797,488
Property, Plant & Equipment, net of accumulated depreciation	578,252	608,038
Available For Sale Securities	22,500	22,500
Reclamation Bond – Fraser River	5,000	5,000
Total Other Assets	2,682,500	2,686,245
TOTAL ASSETS	$ 2,860,250	$ 2,820,118
LIABILITIES & STOCKHOLDERS’ EQUITY (DEFICIT)		
Liabilities		
Current Liabilities		
Accounts Payable	$ 60,913	$ 41,611
Accrued Expenses - Related Party	832,474	820,474
Accrued Interest	127,740	101,366
Convertible notes payable (net of discounts of $476,039 and $264,389, respectively)	986,115	836,858
Advance Gold Sales (net of discounts of $45 and $4,289, respectively)	49,955	195,711
Derivative Liabilities – Convertible Debt	778,156	696,648
Derivative Liabilities – Advances on Gold	5,556	22,223
Note Payable – Ruby Mine Mortgage	470,118	627,101
Note Payable - Equipment	13,659	41,687
Total Current Liabilities	3,324,686	3,383,679
Long-Term Liabilities		
Note Payable – Ruby Mine Mortgage, net of current portion	1,290,012	1,205,537
Note Payable – Equipment, net of current portion	23,641	-
Asset Retirement Obligation	4,602	6,158
Total Long-Term Liabilities	1,318,255	1,211,695
Total Liabilities	$ 4,642,941	$ 4,595,374
Commitment & Contingencies		
Common shares subject to redemption, stated at estimated redemption value, 10,217,468 and 10,217,468 shares outstanding at March 31, 2014 and December 31, 2013, respectively	682,402	667,758
Total Commitment & Contingencies	$ 682,402	$ 667,758

Stockholders' Equity (Deficit)		
Preferred stock, Series I, $0.001 par value, 100 shares authorized, 100 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	-	-
Convertible Preferred stock, Series A, $0.001 par value, 8,000,000 shares authorized, 4,000,000 and 4,000,000 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	4,000	4,000
Common stock, $0.001 par value, 250,000,000 shares authorized, 142,313,975 and 127,897,079 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	142,315	127,898
Additional Paid-In Capital	13,325,838	12,962,791
Accumulated Other Comprehensive Income	(2,550)	(2,550)
Stock Payable	12,800	-
Deficit Accumulated During Exploration Stage	(15,947,496)	(15,535,153)
Total Stockholders' Equity (Deficit)	(2,465,093)	(2,443,014)
TOTAL LIABILITIES, COMMITMENTS & CONTINGENCIES, & STOCKHOLDERS' EQUITY (DEFICIT)	$ 2,860,250	$ 2,820,118

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDING
MARCH 31, 2014 AND 2013 (RESTATED)
AND THE PERIOD FROM
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014

	3 months ended March 31, 2014	3 months ended March 31, 2013 (restated)	Since inception (June 18, 2004 to March 31, 2014)
Revenues			
Revenue	$ -	$ -	$ -
Cost of Revenue	-	-	-
Gross Profit	-	-	-
Operating Expenses			
Commissions & Consulting Fees	-	-	316,800
General & Administrative Costs	94,882	81,008	9,598,298
Mining Property Costs	284,745	46,901	2,804,592
Depreciation Expense	28,786	24,060	287,179
Impairment Expense	-	-	145,995
Accretion Expense	152	76	1,482
Professional Services	56,664	29,902	424,808
Total Operating Expenses	465,229	181,947	13,579,154
Net Operating Loss	(465,229)	(181,947)	(13,579,154)
Other Income (Expenses)			
Gain on Mineral Claim Sales	-	113,499	471,243
Other Income from Mineral Claims	-	-	309,649
Interest Income	4,334	125	6,349
Interest Expense	(243,018)	(305,666)	(1,904,227)
Gain/Loss on Derivative Liability	239,367	(217,526)	(200,047)
Loss on Conversion of Debt	-	-	(137,000)
Loss on Equity Modification	-	-	(85,399)
Bad Debt (Expense) / Recovery	-	-	(47,185)
Loss on Settlement	-	-	(62,095)
Other Expense	-	-	(2,222)
Other Income	52,203	1,094	53,297
Realized Gain (Loss) on Investment	-	-	(97,109)
Net Other Income (Expenses)	52,886	(408,474)	(1,694,746)
Loss From Continuing Operations	(412,343)	(590,421)	(15,273,900)
Loss From Discontinued Operations	-	-	(673,596)
Net Loss	(412,343)	(590,421)	(15,947,496)
Accretion of Discount on Redeemable Common Stock	-	(14,212)	(81,862)
Excess Cash Received Compared to Redeemable Amount of Stock	-	-	974
Interest on Redeemable Common Stock	(14,644)	(8,961)	(88,514)

Net Loss Attributable to Common Shareholders	(426,987)	(613,594)	(16,116,898)
Unrealized (Loss)/Gain on Available For Sale Securities	-	9,950	(2,550)
Total Comprehensive Loss	(426,987)	(603,644)	(16,119,448)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Basic)	147,332,224	104,488,352	
Basic Net Gain (Loss) per Share	$ (0.00)	$ (0.01)	
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Diluted)	147,332,224	104,488,352	
Diluted Net Gain (Loss) per Share	$ (0.00)	$ (0.01)	

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit
Inception 6/18/2004	-	-	-	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -	$ -
Founder's Shares issued	1,200,000	-	-	1,200	-	-	320,000	320	(1,520)	-	-	-	-
Shares issued for merger	1,200,000	-	-	1,200	-	-	320,000	320	(1,520)	-	-	-	-
Common Stock issued for cash	-	-	-	-	-	-	200,000	200	4,800	-	-	-	5,000
Net loss for year	-	-	-	-	-	-	-	-	-	-	(95,587)	-	(95,587)
Balance at 12/31/2004	2,400,000	-	-	$ 2,400	$ -	$ -	840,000	$ 840	$ 1,760	$ -	$ (95,587)	$ -	$ (90,587)
Common Stock issued to convert debt	-	-	-	-	-	-	12,127	12	180,213	-	-	-	180,225
Common Stock issued for services	-	-	-	-	-	-	121,491	121	2,586,046	-	-	-	2,586,167
Common Stock issued for cash	-	-	-	-	-	-	102,643	103	517,597	-	-	-	517,700
Net loss for year	-	-	-	-	-	-	-	-	-	-	(1,816,896)	-	(1,816,896)
Balance at 12/31/2005	2,400,000	-	-	$ 2,400	$ -	$ -	1,076,261	$ 1,076	$ 3,285,616	$ -	$ (1,912,483)	$ -	$ 1,376,609

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)
(Continued)

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit
Common Stock issued to convert debt	-	-	-	-	-	-	1,202,000	1,202	2,206,398	-	-	-	2,207,600
Common Stock issued for services	-	-	-	-	-	-	1,309,000	1,309	1,543,191	-	-	-	1,544,500
Expenses paid by shareholder	-	-	-	-	-	-	-	-	164,371	-	-	-	164,371
Net loss for year	-	-	-	-	-	-	-	-	-	-	(5,504,237)	-	(5,504,237)
Balance at 12/31/2006	2,400,000	-	-	$ 2,400	$ -	$ -	3,587,261	$ 3,587	$ 7,199,576	$ -	$ (7,416,720)	$ -	$ (211,157)

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)
(Continued)

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockhold Deficit
Beneficial Conversion Features on notes payable	-	-	-	-	-	-	-	-	62,000	-	-	-	62,0
Common Stock issued to convert debt	-	-	-	-	-	-	1,350,000	1,350	120,150	-	-	-	121,5
Common Stock issued for services	-	-	-	-	-	-	10,575,000	10,575	959,425	-	-	-	970,0
Common Stock issued as interest on loan	-	-	-	-	-	-	10,000	10	1,490	-	-	-	1,5
Preferred Shares issued for services	-	-	100	-	-	-	-	-	101,000	-	-	-	101,0
Common Stock issued for conversion of preferred shares	(2,400,000)	-	-	(2,400)	-	-	1,200,000	1,200	1,200	-	-	-	
Shares bought back and retired	-	-	-	-	-	-	(200,000)	(200)	(1,800)	-	-	-	(2,0
Expenses paid by shareholder	-	-	-	-	-	-	-	-	70,623	-	-	-	70,6
Net loss for year	-	-	-	-	-	-	-	-	-	-	(1,490,871)	-	(1,490,8
	-	-	100	$ 2,400	$ -	$ -	16,522,261	$ 16,522	$ 8,513,664	$ -	$ (8,907,591)	$ -	$ (377,4

Balance at
12/31/2007

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)
(Continued)

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit
Rounding of shares due to stock split	-	-	-	-	-	-	26	-	-	-	-	-	-
Common Stock issued for services	-	-	-	-	-	-	5,500,000	5,500	224,500	-	-	-	230,000
Common Stock issued for cash	-	-	-	-	-	-	2,275,000	2,275	7,725	-	-	-	10,000
Contribution from investor	-	-	-	-	-	-	-	-	10,000	-	-	-	10,000
Mark to market AFS securities	-	-	-	-	-	-	-	-	-	-	-	22,780	22,780
Net loss for year	-	-	-	-	-	-	-	-	-	-	(328,478)	-	(328,478)
Balance at 12/31/2008	-	-	100	$ -	$ -	$ -	24,297,287	$ 24,297	$ 8,755,889	$ -	$ (9,236,069)	$ 22,780	$ (433,103)

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulate Deficit
Common Stock issued for services	-	-	-	-	-	-	2,500,000	2,500	27,250	-	
Preferred Stock issued for services	4,000,000	100,000	-	4,000	100	-	-	-	249,685	-	
Common Stock issued for cash	-	-	-	-	-	-	21,800,000	21,800	151,200	-	
Common Stock issued for deferred compensation	-	-	-	-	-	-	10,000,000	10,000	177,500	-	
Loss realized on AFS securities	-	-	-	-	-	-	-	-	-	-	
Stock payable for commitment fee on equity offering	-	-	-	-	-	-	-	-	(115,310)	115,310	
Net loss for year	-	-	-	-	-	-	-	-	-	-	(786,9
Balance at 12/31/2009	4,000,000	100,000	100	$ 4,000	$ 100	$ -	58,597,287	$ 58,597	$ 9,246,214	$ 115,310	$ (10,023,0

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumula Deficit
Common Stock issued for commitment fee on equity offering	-	-	-	-	-	-	6,589,147	6,589	108,721	(115,310)	
Common Stock issued for cash	-	-	-	-	-	-	5,000,000	5,000	45,000	-	
Discount on convertible notes from beneficial conversion features and attached warrants	-	-	-	-	-	-	-	-	107,406	-	
Common Stock issued for Ruby Mine Purchase Option	-	-	-	-	-	-	10,000,000	10,000	140,000	-	
Warrants issued for Purchase Option – Ruby Mine	-	-	-	-	-	-	-	-	149,896	-	
Net loss for year	-	-	-	-	-	-	-	-	-	-	(287,34
Balance at 12/31/2010	4,000,000	100,000	100	$ 4,000	$ 100	$ -	80,186,434	$ 80,186	$ 9,797,237	$ -	$ (10,310,39

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulat Deficit
Common Stock issued for cash	-	-	-	-	-	-	9,433,985	9,434	758,566	-	
Common Stock issued for convertible debt conversion	-	-	-	-	-	-	4,459,092	4,459	169,393	-	
Common Stock issued for services	-	-	-	-	-	-	42,857	43	2,957	-	
Common Stock issued for settlement of services	-	-	-	-	-	-	550,000	550	61,545	-	
Common Stock issued for deferred compensation	-	-	-	-	-	-	2,000,000	2,000	178,000	-	
Common Stock issued for directors compensation	-	-	-	-	-	-	111,112	111	9,889	-	
Discount on convertible notes from beneficial conversion feature	-	-	-	-	-	-	-	-	70,568	-	
Term Extension of Ruby warrants	-	-	-	-	-	-	-	-	2,519	-	
Warrants issued for Purchase Option – Ruby Mine	-	-	-	-	-	-	-	-	219,940	-	

Stock payable for warrant exercise	-	-	-	-	-	-	-	-	-	25,000	
Excess cash received compared to redeemable amount for stock	-	-	-	-	-	-	-	-	974	-	
Interest on redeemable stock	-	-	-	-	-	-	-	-	(247)	-	
Net loss for year (restated)	-	-	-	-	-	-	-	-	-	-	(1,045,7
Balance at 12/31/2011 (restated)	4,000,000	100,000	100	$ 4,000	$ 100	$ -	96,783,480	$ 96,783	$ 11,271,341	$ 25,000	$ (11,356,1

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014 (Unaudited)
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Acc
Cancellation of Series G Preferred	-	(100,000)		-	(100)	-	-	-	100	-	
Common Stock issued for services	-	-	-	-	-	-	116,650	117	10,543	-	
Common Stock issued for deferred financing costs	-	-	-	-	-	-	85,000	85	5,525	-	
Common Stock issued for stock payable	-	-	-	-	-	-	500,000	500	24,500	(25,000)	
Mark to market AFS securities	-	-	-	-	-	-	-	-	-	-	
Settlement of Derivative Liability	-	-	-	-	-	-	-	-	49,795	-	
Discount on convertible notes from beneficial conversion feature and attached warrants	-	-	-	-	-	-	-	-	321,002	-	
Warrants issued for modification of payment terms on mortgage payable	-	-	-	-	-	-	-	-	175,047	-	
Accretion of discount on	-	-	-	-	-	-	-	-	(29,516)	-	

redeemable common stock											
Interest on redeemable common stock	-	-	-	-	-	-	-	-	(22,701)	-	
Net loss for period	-	-	-	-	-	-	-	-	-	-	(
Balance at 12/31/2012 (restated)	4,000,000	-	100	$ 4,000	$ -	$ -	97,485,130	$ 97,485	$ 11,805,636	$ -	$ (1
Common Stock issued for cash	-	-	-	-	-	-	13,564,152	13,564	445,736	-	
Common Stock issued for convertible debt conversion	-	-	-	-	-	-	11,229,545	11,230	272,691	-	
Common Stock issued for services	-	-	-	-	-	-	191,724	192	9,071	-	
Common Stock issued for directors compensation	-	-	-	-	-	-	277,778	278	9,722	-	
Common Stock issued for deferred compensation	-	-	-	-	-	-	5,000,000	5,000	175,000	-	
Common Stock issued for deferred financing costs	-	-	-	-	-	-	148,750	149	6,332	-	
Mark to market AFS securities	-	-	-	-	-	-	-	-	-	-	
Settlement of Derivative Liability	-	-	-	-	-	-	-	-	256,472	-	
Loss on Equity Modification	-	-	-	-	-	-	-	-	85,399	-	
Accretion of discount on redeemable common stock	-	-	-	-	-	-	-	-	(52,346)	-	
Interest on redeemable common stock	-	-	-	-	-	-	-	-	(50,922)	-	

Net loss for period	-	-	-	-	-	-	-	-	-	-	(
Balance at 12/31/2013	4,000,000	-	100	$ 4,000	$ -	$ -	127,897,079	$ 127,898	$ 12,962,791	$ -	$ (1
Common Stock issued for cash	-	-	-	-	-	-	11,801,616	11,802	289,698	-	
Common Stock issued for convertible debt conversion	-	-	-	-	-	-	2,515,280	2,515	47,693	-	
Common Stock issued for services	-	-	-	-	-	-	100,000	100	2,600	-	
Stock payable for deferred financing costs	-	-	-	-	-	-	-	-	-	12,800	
Settlement of Derivative Liability - Gold	-	-	-	-	-	-	-	-	1,667	-	
Settlement of Derivative Liability – Convertible Debt	-	-	-	-	-	-	-	-	36,033	-	
Interest on redeemable common stock	-	-	-	-	-	-	-	-	(14,644)	-	
Net loss for period	-	-	-	-	-	-	-	-	-	-	
Balance at 3/31/2014	4,000,000	-	100	$ 4,000	$ -	$ -	142,313,975	$ 142,315	$ 13,325,838	$ 12,800	$ (1

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTH PERIODS ENDING
MARCH 31, 2014 AND 2013 (Restated)
AND THE PERIOD FROM
JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2014

	3 Months Ended March 31, 2014	3 Months Ended March 31, 2013 (restated)	Since inception (June 18, 2004 to March 31, 2014)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	$ (412,343)	$ (590,421)	$ (15,947,496)
Adjustments to reconcile Net Loss to net cash used in operations:			
Gain on option payments received – non-cash	-	-	(135,985)
Gain on sale of claims	-	(58,499)	(366,333)
Gain on sale of claims – non-cash	-	(55,000)	(60,000)
Common Stock issued for services	2,700	-	5,135,640
Common Stock issued to director for services	-	-	20,000
Common Stock issued for mining exploration stage property	-	-	351,400
Warrants issued to modify payment terms of note	-	-	175,047
Preferred Stock issued for bonus	-	-	253,785
Loss on conversion of debt and deferred compensation	-	-	2,150,513
Loss on AFS securities “other than temporary”	-	-	106,985
Loss on settlement - Common Shares issued	-	-	62,095
Loss on equity modification	-	-	85,399
Bad debt expense	-	-	48,167
Gain realized on transfer of AFS – securities	-	-	(9,875)
Amortization of discount on debt	169,960	107,322	1,115,602
Amortization of deferred financing cost	13,536	11,345	64,111
Amortization of gold advances discount	4,244	-	22,178
Change in derivative liability	(239,367)	217,526	200,047
Common Stock issued as interest on loan	-	-	1,500
Depreciation Expense	28,786	24,060	287,179
Accretion Expense	152	76	1,482
Impairment Expense	-	-	145,995
Extension Expense for Ruby mortgage	-	160,000	160,000
Changes in operating assets and liabilities:			
Accounts receivable	-	-	(29,018)
Prepaid Expenses	-	-	12,537
Other assets	(85)	(120)	(2,090)
Accrued expenses – related party	12,000	49,000	1,328,593
Accrued interest	27,788	-	27,788
Accrued expenses	(15,000)	2,069	100,419
Accounts Payable	19,301	1,639	54,971
Other current assets	-	-	(29,316)
Net Cash Used in Operating Activities	(388,328)	(131,003)	(4,668,680)

CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchase of fixed assets	-	-	(28,371)
Proceeds from Fixed Asset Disposal	1,000	-	1,000
Cash received from sales of claims	-	48,664	366,333
Cash paid for claims acquired	-	-	(16,311)
Cash paid for Ruby Purchase	-	-	(361,093)
Cash paid for purchase of Taber Mine Option	-	-	(4,000)
Net Cash Provided by/Used in Investing Activities	1,000	48,664	(42,442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of redeemable common stock	-	69,000	488,464
Proceeds from sale of common stock	301,500	-	2,283,500
Advances - Gold	(150,000)	-	50,000
Cash paid for deferred financing costs	(28,400)	(5,000)	(89,850)
Contributions from related party	-	-	244,994
Warrants exercised, shares not yet issued	-	-	25,000
Debt Repayments	(76,895)	(129,772)	(524,145)
Shares re-purchased and retired	-	-	(2,000)
Borrowings on convertible debt	385,000	176,097	2,412,909
Net Cash Provided by Financing Activities	431,205	110,325	4,888,872
Net cash increase (decrease) for period	43,877	27,986	177,750
Cash at beginning of period	133,873	42,008	-
Cash at end of period	177,750	69,994	177,750
Supplementary Cash Flow Information:			
Cash Paid for Interest	$ 15,000	$ -	$ 192,360
Cash Paid for Taxes	$ -	$ -	$ -
Non-Cash Investing & Financing Activities:			
Common Stock issued for conversion of preferred shares	$ -	$ -	$ 2,400
Common Stock issued for conversion of debt and accrued salary	$ -	$ -	$ 433,912
Warrants issued for purchase option - Ruby Mine	$ -	$ -	$ 369,837
Term extension of Ruby Mine warrants	$ -	$ -	$ 2,519
Stock Issued for purchase option - Ruby Mine	$ -	$ -	$ 150,000
Discount from beneficial conversion feature and warrants attached to convertible notes payable	$ -	$ -	$ 177,974
Transfer of available for sale securities to relieve accrued salary	$ -	$ -	$ 12,838
Accrued salary relieved for shares issued	$ -	$ -	$ 279,999
Common and preferred shares issued as founders shares	$ -	$ -	$ 3,040
Capitalized costs for Ruby Mine purchase option transferred to fixed assets and mineral assets upon acquisition	$ -	$ -	$ 801,442
Note payable for Ruby Mine acquisition	$ -	$ -	$ 1,990,000
Liabilities assumed with Ruby Mine acquisition	$ -	$ -	$ 174,118
Revision to Asset Retirement Obligation	$ 1,708	$ -	$ 168,498
Common stock issued for conversion of convertible debt	$ 50,208	$ 80,787	$ 507,980
Equipment acquired with note payable	$ -	$ -	$ 56,071
Common stock issued for stock payable	$ -	$ -	$ 25,000
Common stock owed for deferred financing costs	$ 12,800	$ -	$ 12,800
	$ -	$ -	$ 25,536

Equity draw on redeemable common stock applied towards note principal owed			
Common Stock issued for deferred financing costs	$ -	$ -	$ 12,091
Debt discount due to derivative liability	$ 356,908	$ 43,713	$ 896,827
Cancellation of preferred shares	$ -	$ -	$ 100
Settlement of Derivative liability	$ 36,033	$ 86,275	$ 342,300
Settlement of gold derivative	$ 1,667	$ -	$ 1,667
Discount on gold advance	$ -	$ -	$ 22,223
Accretion of Discount on Redeemable Common Stock	$ -	$ 14,212	$ 81,862
Excess Cash Received Compared to Redeemable Amount of Stock	$ -	$ -	$ 974
Interest on Redeemable Common Stock	$ 14,644	$ 8,961	$ 88,514
Unrealized gain/loss on AFS	$ -	$ (9,950)	$ 2,550

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL ORGANIZATION AND BUSINESS

The Company was incorporated in the State of Delaware on June 18, 2004 under the name Ultimate Jukebox, Inc. On September 4, 2004, Ultimate Jukebox, Inc. merged with NetMusic Corporation, and subsequently changed the Company name to NetMusic Entertainment Corporation. On March 10, 2006, the Company ceased digital media distribution operations, began operations as a natural resources company, and changed the Company name to Enterayon, Inc. On January 15, 2008, the Company merged with and assumed the name of its wholly-owned subsidiary, North Bay Resources Inc. As a result of the merger, Enterayon, Inc. was effectively dissolved, leaving North Bay Resources Inc. as the remaining company.

The Company's business plan is based on the Generative Business Model, which is designed to leverage our mining properties and mineral claims into near-term income streams even during the earliest stages of exploration. This is accomplished by entering into sales, joint-venture, and/or option contracts with other mining companies, for which the Company generates income through payments in cash, stock, and other consideration.

The Generative Business Model is our short term plan to leverage properties until funding is adequate to implement our long term plan. The Company's long term plan is to locate and extract gold and silver from current exploration stage properties. This will be done through utilizing joint-ventures and other funding that is available to develop properties until they reach the production stage. Once in the production stage, the Company plans on extracting gold, silver, and other profitable by-products, and selling them to smelters. The Company has not currently begun this stage of the business plan.

NOTE 2 GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated modest revenues since inception and has never paid any dividends and is unlikely to pay dividends. The Company has accumulated losses since inception equal to $15,947,496 as of March 31, 2014. These factors raise substantial doubt regarding the ability of the Company to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploration of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. The Company has had very little operating history to date. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restatements

During the second quarter of fiscal 2013, the Company discovered it had offered and sold certain shares of common stock without registration under the Securities Act of 1933 (the "Securities Act"), as amended, during the period from October 24, 2011 through April 25, 2013. Pursuant to Section 10(a)(3) of the Securities Act, by the time our prospectus had been in use for 9 months from the effective date of January 24, 2011, the balance sheet date of the

audited financial statement contained in our prospectus was more than 16 months old, and had not been refreshed to present our current financial statements within said prospectus. Our financial statements have thus been have been restated to reclassify as temporary equity certain issuances of unregistered common stock issued during the time period from October 24, 2011 through April 25, 2013 and which may be deemed to be redeemable. These shares have been moved to the mezzanine portion of our balance sheet at their redemption values. Please see Note 19 for more information.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. There was no material effect to the consolidated financial statements as result of these reclassifications.

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Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Ruby Gold, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with a maturity of three months or less, when purchased, to be cash equivalents. There were no cash equivalents at March 31, 2014 and December 31, 2013. The Company maintains cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation up to $250,000.

Reclamation Bonds

The Company holds its reclamation bonds on the Ruby Mine in the form of one-year Certificates of Deposit that automatically rollover annually on their anniversary dates. These funds are held in reserve to guarantee the Company's Asset Retirement Obligation.

Marketable Securities

The Company accounts for its marketable securities, which are available for sale, in accordance with Financial Accounting Standards Board (“FASB”) guidance regarding accounting for certain investments in debt and equity securities, which requires that available-for-sale and trading securities be carried at fair value. Unrealized gains and losses deemed to be temporary on available-for-sale securities are reported as other comprehensive income (“OCI”) within shareholders’ deficit. Realized gains and losses and declines in value deemed to be other than temporary on available-for-sale securities are included in “(Gain) loss on short- and long-term investments” and “Other income” on our statements of operations. Trading gains and losses also are included in “(Gain) loss on short-term and long-term investments.” Fair value of the securities is based upon quoted market prices in active markets or estimated fair value when quoted market prices are not available. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis. We classify our available-for-sale securities as short- or long-term based upon management’s intent and ability to hold these investments. In addition, throughout 2009, the FASB issued various authoritative guidance and enhanced disclosures regarding fair value measurements and impairments of securities which helps in determining fair value when the volume and level of activity for the asset or liability have significantly decreased and in identifying transactions that are not orderly.

Revenue Recognition

The company has recognized no mining revenue to date. In the future mining revenue will be recognized according to the policy described below.

Revenue is recognized when the following conditions are met:

(a) persuasive evidence of an arrangement to purchase exists;
(b) the price is fixed or determinable;
(c) the product has been delivered; and
(d) collection of the sales price is reasonably assured.

Under the terms of concentrate sales contracts with third-party smelters, final prices for the gold, silver, zinc, copper and lead in the concentrate are set based on the prevailing spot market metal prices on a specified future date based on the date that the concentrate is delivered to the smelter. The Company records revenues under these contracts based on forward prices at the time of delivery, which is when transfer of legal title to concentrate passes to the third-party smelters. The terms of the contracts result in differences between the recorded estimated price at delivery and the final settlement price. These differences are adjusted through revenue at each subsequent financial statement date.

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Mineral Property Costs

Mineral property acquisition costs are capitalized upon acquisition. Mineral property exploration and improvement costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven or probable reserves, the costs incurred to develop and improve such property are capitalized. To date the Company has not established any proven or probable reserves on its mineral properties.

The Company reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the review indicates that the carrying amount of the asset may not be recoverable, the potential impairment is measured based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

Purchase Options for Mining Property

Costs associated with acquisitions related to purchase options for mining properties are capitalized when the costs are incurred in accordance with ASC 340.10. The costs are carried at the amount paid and transferred to the appropriate asset account if the option is exercised. If it is determined that the Company will not exercise the option, the option is expensed.

Deferred Gains

Deposits on pending sales of mineral claims are classified as deferred gains until the transaction has been completed.

Asset Retirement Obligation

The FASB standard on accounting for asset retirement obligation requires that the fair value of the liability for asset retirement costs be recognized in an entity’s balance sheet, as both a liability and an increase in the carrying values of such assets, in the periods in which such liabilities can be reasonably estimated. The present value of the estimated future asset retirement obligation (“ARO”), as of the date of acquisition or the date at which mining commences is capitalized as part of the costs of mineral assets and recorded with an offsetting liability. The asset retirement costs are depleted over the production life of the mineral assets on a unit-of-production basis.

The ARO is recorded at fair value and accretion expense is recognized as the discounted liability is accreted to its expected settlement value. The fair value of the ARO liability is measured by using expected future cash outflows discounted at the Company’s credit adjusted risk free interest rate.

Amounts incurred to settle plugging and abandonment obligations that are either less than or greater than amounts accrued are recorded as a gain or loss in current operations. Revisions to previous estimates, such as the estimated cost to remediate and abandon a mine may require adjustments to the ARO and are capitalized as part of the costs of mineral assets.

Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on the differences between the financial reporting basis and the tax basis of the assets and liabilities, and are measured using enacted tax rates that will be in effect when the differences are expected to reverse.

The Company adopted the provisions of the FASB interpretation related to accounting for uncertainty in income taxes, which seeks to reduce the diversity in practice associated with the accounting and reporting for uncertainty in income tax positions. The Company believes it does not have any uncertain tax positions taken or expected to be taken in its income tax returns.

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Fair Value of Financial Instruments

The Company adopted the FASB standard related to fair value measurement at inception. The standard defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows.

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company values its derivative instruments related to embedded conversion features and warrants from the issuance of convertible debentures in accordance with the Level 3 guidelines. For the three month period ended March 31, 2014, the following table reconciles the beginning and ending balances for financial instruments that are recognized at fair value in these consolidated financial statements. The fair value of embedded conversion features that have floating conversion features and tainted common stock equivalents (warrants and convertible debt) are estimated using a Binomial Lattice model. The key inputs to this valuation model as of March 31, 2014, were: Volatility of 158% - 165%, inherent term of instruments equal to the remaining contractual term, quoted closing stock prices on valuation dates, and various settlement scenarios and probability percentages summing to 100%.

	Balance at December 31, 2013	New Issuances	Settlements	Changes in Fair Values	Balance at March 31, 2014
Level 3 – Derivative liabilities from:					
Conversion features – embedded derivative	$156,761	$238,595	$(36,033)	$(50,270)	$309,053
Conversion features – tainted equity	391,686	229,339	-	(254,250)	366,775
Warrants – tainted equity	148,201	-	-	(45,873)	102,328
	$696,648	$467,934	$(36,033)	$(350,393)	$778,156

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments. The significant unobservable input used in the fair value measurement is the estimation for probability percentages assigned to future expected settlement possibilities. A significant increase (decrease) in this distribution of percentages would result in a higher (lower) fair value measurement.

The following table presents assets and liabilities that were measured and recognized at fair value as of December 31, 2013 and the year then ended on a recurring basis:

Description		Level 1		Level 2		Level 3		Total Unrealized Gain
Available For Sale Securities	$	22,500	$	-	$	-	$	2,500
Totals	$	22,500	$	-	$	-	$	2,500

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Description	Level 1	Level 2	Level 3	Total Unrealized Loss
Derivate Liability – Advances on Gold	$ -	$ 22,223	$ -	$ 22,223
Totals	$ -	$ 22,223	$ -	$ 22,223

The following table presents assets that were measured and recognized at fair value as of March 31, 2014:

Description	Level 1	Level 2	Level 3	Total Unrealized Gain
Available For Sale Securities	$ 22,500	$ -	$ -	$ -
Totals	$ 22,500	$ -	$ -	$ -

Description	Level 1	Level 2	Level 3	Total Unrealized Loss
Derivate Liability – Advances on Gold	$ -	$ 5,556	$ -	$ -
Totals	$ -	$ 5,556	$ -	$ -

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of March 31, 2014 and December 31, 2013:

	Fair Value Measurements at March 31, 2014		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 177,750	$ -	$ -
Certificates of Deposit	172,965		
Total assets	350,715	-	-
Liabilities			
Advance Gold Sales	-	49,955	-
Convertible notes	-	986,115	-
Note payable, Ruby	-	1,760,130	-
Notes payable, equipment	-	37,300	-
Total liabilities	-	2,833,500	-
	$ 350,715	$ (2,833,500)	$ -

	Fair Value Measurements at December 31, 2013		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 133,873	$ -	$ -
Certificates of Deposit	172,880		
Total assets	306,753	-	-
Liabilities			
Advance Gold Sales	-	195,711	-
Convertible notes	-	836,858	-
Note payable, Ruby	-	1,832,638	-
Notes payable, equipment	-	41,687	-

Total liabilities		-		2,906,894		-
	$	306,753	$	(2,906,894)	$	-

The fair values of our debts are deemed to approximate book value, and are considered Level 2 inputs as defined by ASC Topic 820-10-35.

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the three months ended March 31, 2014 or the year ended December 31, 2013.

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The Company had no other assets or liabilities valued at fair value on a recurring or non-recurring basis as of March 31, 2014 or the year ended December 31, 2013.

Stock Based Compensation

Beginning January 1, 2006, the Company adopted the FASB standard related to stock based compensation. The standard requires all share-based payments to employees (which includes non-employee Directors), including employee stock options, warrants and restricted stock, be measured at the fair value of the award and expensed over the requisite service period (generally the vesting period). The fair value of common stock options or warrants granted to employees is estimated at the date of grant using the Black-Scholes option pricing model by using the historical volatility of the Company. The calculation also takes into account the common stock fair market value at the grant date, the exercise price, the expected life of the common stock option or warrant, the dividend yield and the risk-free interest rate.

The Company from time to time may issue stock options, warrants and restricted stock to acquire goods or services from third parties. Restricted stock, options or warrants issued to other than employees or directors are recorded on the basis of their fair value, which is measured as of the date required by the Emerging Issues Task Force guidance related to accounting for equity instruments issued to non-employees. In accordance with this guidance, the options or warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying equity instrument on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance, is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. As of March 31, 2014 and December 31, 2013, no options or warrants related to compensation have been issued, and none are outstanding.

Beneficial Conversion Feature

From time to time, the Company may issue convertible notes that may have conversion prices that create an embedded beneficial conversion feature pursuant to the Emerging Issues Task Force guidance on beneficial conversion features. A beneficial conversion feature exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of any attached equity instruments, if any related equity instruments were granted with the debt. In accordance with this guidance, the intrinsic value of the beneficial conversion feature is recorded as a debt discount with a corresponding amount to additional paid in capital. The debt discount is amortized to interest expense over the life of the note using the effective interest method.

Deferred Financing Costs

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of Convertible Note transactions. These amounts are capitalized to Deferred Financing Costs and amortized over the term of the note. Amortization is provided on a straight-line basis over the terms of the respective debt instruments to which the costs relate and is included in interest expense. The difference between the straight line and effective interest methods is immaterial due to the short term nature of the convertible notes.

Accounting for Derivative Instruments

All derivatives have been recorded on the balance sheet at fair value based on the lattice model calculation. These derivatives, including embedded derivatives in the Company's convertible notes which have floating conversion prices based on changes to the quoted price of the Company's common stock and common stock equivalents tainted as a

result of the derivative, are separately valued and accounted for on the Company's balance sheet. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates.

Lattice Valuation Model

The Company valued the conversion features in their convertible notes and tainted warrants using a lattice valuation model, with the assistance of a valuation consultant. The lattice model values these instruments based on a probability weighted discounted cash flow model. The Company uses the model to develop a set of potential scenarios. Probabilities of each scenario occurring during the remaining term of the instruments are determined based on conversion prices relative to current stock prices, historic volatility, and estimates on investor behavior. These probabilities are used to create a cash flow projection over the term of the instruments and determine the probability that the projected cash flow will be achieved. A discounted weighted average cash flow for each scenario is then calculated and compared to the discounted cash flow of the instruments without the compound embedded derivative in order to determine a value for the compound embedded derivative.

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Income/Loss Per Share of Common Stock

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for the periods presented. As of March 31, 2014 and 2013, there were 57,744,955 and 50,679,673 common stock equivalents outstanding, respectively.

The following is a reconciliation of the computation for basic and diluted EPS for the three months ended March 31, 2014 and 2013, respectively:

	March 31, 2014	March 31, 2013
Net Loss attributable to common shareholders	$ (426,987)	$ (613,594)
Weighted-average common shares Outstanding (Basic)	147,332,224	104,488,352
Weighted-average common stock Equivalents	57,744,955	50,679,673
Deduction of stock Equivalents not included due to net loss	(57,744,955)	(50,679,673)
Weighted-average common shares Outstanding (Diluted)	147,332,224	104,488,352
Basic and Diluted Net Gain (Loss) per Share	$ (0.00)	$ (0.01)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment is depreciated using the straight-line method over the estimated useful life of the asset - periods of approximately 18-28 years for buildings, 3-10 years for machinery and equipment and 3- 5 years for vehicles. Long-lived assets are reviewed for impairment whenever in management's judgment conditions indicate a possible loss. Such impairment tests compare estimated undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its fair value or, if fair value is not readily determinable, an estimated fair value is used based on discounted cash flows. Fully depreciated assets are retained in property, plant and equipment and accumulated depreciation accounts until they are removed from service. In case of disposals of assets, the assets and related accumulated depreciation are removed from the accounts, and the net amounts after proceeds from disposal are credited or charged to income.

Recently Issued Accounting Standards

Disclosures about Reclassification Adjustments out of Accumulated Other Comprehensive Income

In July 2013, the FASB issued ASU No. 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU No. 2013-11"). This pronouncement provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This pronouncement is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2013. The provisions of ASU No. 2013-11 did not have a material impact on to the Company's condensed

consolidated financial statements.

In February 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which added new disclosure requirements for items reclassified out of accumulated other comprehensive income. The update required entities to disclose additional information about reclassification adjustments, including changes in accumulated other comprehensive income balances by component and significant items reclassified out of accumulated other comprehensive income. The update became effective for us in the first quarter of 2013. This update had no material impact on our financial statements.

Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued an accounting standards update which provided, subject to certain conditions, the option to perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The update became effective for us in the first quarter of 2013. This update had no material impact on our financial statements.

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NOTE 4 AVAILABLE FOR SALE SECURITIES

On October 24, 2012, the Company entered into an agreement on its Willa property with Caribou King Resources Ltd. ("Caribou", or "CKR"), a Canadian issuer listed on the TSX Venture Exchange. Under the terms of Agreement, Caribou may earn up to a 100% interest in the Willa Claims by making aggregate payments to North Bay of USD $232,500 in cash and issuing 1,000,000 shares of Caribou common stock. Of the aggregate payments, $7,500 in cash and 500,000 shares are due upon receipt of regulatory acceptance of the agreement by the TSX Venture Exchange. Subsequent to TSX approval in November, 2012, and pursuant to the agreement, the Company received 500,000 shares of CKR stock. These shares were valued at $25,050 based upon the closing price of CKR stock on the date the shares were issued. As of March 31, 2014 and December 31, 2013, the market value of these shares was $22,500 and $22,500, respectively. We consider the unrealized net loss as temporary due to the short length of time the market price for these securities has been below its value on the acquisition date.

NOTE 5 RUBY MINE ACQUISITION

On September 27, 2010, the Company executed an option-to-purchase agreement with Ruby Development Company ("RDC"), a California partnership, for the acquisition of the Ruby Mine (the "Ruby") in Sierra County, California. The purchase price is $2,500,000.

On June 1, 2011, the Company exercised its option to purchase the Ruby Mine and made a final option payment of $85,000 to open escrow. On July 1, 2011, escrow was closed and the acquisition of the Ruby Mine was completed. During the preceding option period and as of the closing date, the Company has made payments totaling $510,000 to RDC, consisting of $360,000 cash and 10,000,000 shares of common stock valued at $150,000. These payments were credited towards the purchase price, thereby reducing the outstanding principal due to $1,990,000. The mortgage is to be paid in full by December 30, 2015 pursuant to amendments to the agreement executed on December 12, 2012, March 28, 2013, and November 19, 2013. The seller has also been granted 10 million 5-year warrants exercisable at 2 cents, 2 million 5-year warrants exercisable at 9 cents, 2 million 5-year warrants exercisable at 10 cents, and 4 million 5-year warrants exercisable at 4 cents. Pursuant to the aforementioned amendment dated November 19, 2013, the term of all of the outstanding warrants issued to the seller has been extended to December 30, 2018.

On the transaction closing date of July 1, 2011, the Company issued a promissory note to RDC for $1,990,000 plus 3% interest per annum. The note, as amended, is due on or before December 30, 2015, and currently accrues interest at 6% per annum. As of March 31, 2014 and December 31, 2013, the outstanding balance due on the note is $1,760,130 and $1,832,638, respectively.

Upon the close of the transaction and the transfer of title, as previously set forth in the purchase agreement, the Company acquired all of the real and personal property associated with the Ruby Gold Mine, all of the shares of Ruby Gold, Inc., a private California corporation, and $171,618 in reclamation bonds securing the permits at the Ruby Mine. Subsequent to the close of the transaction, Ruby Gold, Inc. became a wholly-owned subsidiary of North Bay Resources Inc. The Company has also assumed the reclamation liabilities on the Ruby Mine, for which reclamation bonds are pledged. In addition, a $2,500 liability from a pre-existing shareholder loan that was outstanding as of the closing date has been extinguished as of the close of escrow.

All costs related to the acquisition of the property have been capitalized when incurred. All other costs have been expensed when incurred. Cash paid during the period ended December 31, 2011 and December 31, 2010 was equal to $277,006 and $82,994, respectively. Warrants issued during the periods ended December 31, 2010 and December 31, 2011 were valued at $149,896 and $219,940 respectively. Shares paid as of December 31, 2010 were valued at $150,000. $2,519 was capitalized to the purchase option during the three months ended March 31, 2011 related to the company's amendment to extend the term of the 10,000,000 warrants issued to Ruby Development Company from

December 31, 2012 to December 31, 2015. The value of the extension was calculated using the Black-Scholes model. In addition, $219,940 was capitalized to the purchase option during the six months ended June 30, 2011 related to the amendment on April 22, 2011 to issue warrants granting RDC the right to purchase 2 million shares of the Company's common stock at the exercise price of ten cents ($0.10) per share. Said warrants are valid until May 1, 2016. The value of the additional warrants was calculated using the Black-Scholes model. On March 6, 2012, the Company issued warrants granting RDC the right to purchase 2 million shares of the Company's common stock until March 6, 2017 at the exercise price of nine cents ($0.09) per share, in consideration for reducing the monthly mortgage payments due in January, February, and March, 2012. The fair value of the warrants of $175,047 was expensed related to this issuance. This value was calculated via the Black-Scholes model. Pursuant to the aforementioned amendment dated November 19, 2013, the term of all of the outstanding warrants issued to the seller has been extended to December 30, 2018.

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NOTE 6 PROPERTY, PLANT, EQUIPMENT AND MINERAL CLAIM ASSETS

As of March 31, 2014 and December 31, 2013, components of property, plant, and equipment and mineral assets were as follows:

	March 31, 2014	December 31, 2013
Buildings	$ 558,885	$ 558,885
Machinery and equipment	137,820	138,820
Vehicles	281,602	281,602
Total property, plant and equipment	978,307	979,307
Less: accumulated impairment (1)	(124,343)	(124,343)
Less: accumulated depreciation(2)	(275,712)	(246,926)
Property, plant and equipment, net	$ 578,252	$ 608,038

	March 31, 2014	December 31, 2013
Mining claims	$ 1,792,660	$ 1,792,660
Asset retirement costs	3,120	4,828
Total mineral claim assets	1,795,780	1,797,488
Less: accumulated depletion(2)	-	-
Mining claims, net	$ 1,795,780	$ 1,797,488

(1) Following the acquisition of the Ruby Mine on July 1, 2011, an evaluation of the equipment inventory determined that some equipment was obsolete and/or otherwise not in compliance with safety regulations, resulting in an impairment deduction of $124,343.

(2) Depreciation expense totaled $28,786 and $24,060 for the three months ended March 31, 2014 and 2013, respectively. Depletion expense totaled $0 and $0 for the three months ended March 31, 2014 and 2013, respectively.

NOTE 7 DEBT

On July 1, 2011, upon the acquisition of the Ruby Mine, the Company issued a promissory note to Ruby Development Company ("RDC") for $1,990,000 plus 3% interest per annum. The note, as amended, is due on or before December 30, 2015. Monthly payments are $10,000 per month during Q1, 2012, $15,000 per month during Q2, 2012, and $20,000 per month from July 1, 2013 through December 2015. Pursuant to an amendment executed on March 28, 2013, the interest rate on the note was increased to 6% as of April 1, 2013, and $160,000 was added to the principal. Pursuant to an amendment executed on November 19, 2013, mortgage payments through December 2015 are set at $20,000 due on the 1st day of each month, and an additional $40,000 due by the 20th day of each month, for aggregate monthly payments of $60,000 per month. As of March 31, 2014, the outstanding balance due on the note is $1,759,198.

On December 29, 2011, the Company entered into two agreements ("the Agreements") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received two $25,000 loans from Tangiers. As the Agreement specifies, loan proceeds will only be used towards expenses related to the Ruby Mine Project. The Agreement is structured as a $25,000 Promissory Note (the "Promissory Note"), and a $25,000 Convertible Promissory Note (the "Convertible Note"). The Promissory Note, as amended, has a maturity date of twenty four (24) months from the Effective Date, and an interest rate on the unpaid principal balance equal to 9.9% per year. The Company shall make cash payments to Tangiers every two (2) weeks beginning January 1, 2012, at a minimum of $2,500 against the principal and accrued interest until the Promissory Note has been satisfied. The Company has further authorized Tangiers to debit this amount directly from any drawdowns made on Company's existing Equity Line of Credit ("ELOC") with Tangiers. As further consideration, Tangiers shall be entitled to 250,000 5-year warrants to purchase 250,000 shares of our common stock at an exercise price of $0.115 per share. The value of these warrants was calculated via the Black-Scholes model and was calculated at $20,568. This value was recorded as a discount on the related note payable. The $25,000 Convertible Note is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.08 per share, which was the closing market share price on the Effective Date. Due to the conversion price being equal to the closing share price on the grant date no beneficial conversion feature resulted from this issuance. The Note accrues interest at a rate equal to 9.9% per year. The Agreement further specifies that there shall be no penalty for prepayment of either the Promissory Note or the Convertible Note. During the years ended December 31, 2013 and 2012, $0 and $20,568 of the discount was amortized, respectively, and the discount has been fully amortized as of December 31, 2013. As of December 31, 2013, the outstanding balance due on the Note is $29,970, which includes $4,970 in accrued interest. Repayment of this note has been waived by the lender until November 15, 2014. As of March 31, 2014, the outstanding balance due on the Note is $30,589, which includes $5,589 in accrued interest.

On February 2, 2012, the Company entered into two Convertible Promissory Note Agreements ("the Notes", or individually, the "Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received an aggregate of $100,000 ($50,000 per Note) as a loan from Tangiers. Each Note, as amended, has a term of twenty four (24) months. Each Note accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.08 per share. As further consideration, Tangiers shall be entitled to 500,000 5-year warrants exercisable at $0.13. The Notes further specify that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $78,296 on the note, and $21,704 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. The discount was fully amortized as of December 31, 2012. As of December 31, 2013, the outstanding balance due on the Note is $118,932, which includes $18,932 in accrued interest. Repayment of this note has been waived by the lender until November 15, 2014. As of March 31, 2014, the outstanding balance due on the Note is $121,407, which includes $21,407 in accrued interest.

On March 15, 2012, the Company entered into two Convertible Promissory Note Agreements ("the Notes", or individually, the "Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received an aggregate of $75,000 ($37,500 per Note) as a loan from Tangiers. Each Note, as amended, has a term of twenty four (24) months. Each Note accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.09 per share. As further consideration, Tangiers shall be entitled to 500,000 5-year warrants exercisable at $0.09. The Notes further specify that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $34,896 on the note, and $40,104 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. The discount was fully amortized as of March 31, 2014. Amortization expense during the three months ended March 31, 2014 was $1,893. Repayment of this note has been waived by the lender until November 15, 2014. As of March 31, 2014, the outstanding balance due on the

Note is $90,201, which includes $15,201 in accrued interest.

On May 16, 2012, the Company entered into a Convertible Promissory Note Agreement ("the Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received $50,000 as a loan from Tangiers. The Note, as amended, has a term of twenty four (24) months, accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.06 per share. As further consideration, Tangiers shall be entitled to 150,000 5-year warrants exercisable at $0.07. The Note further specifies that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $16,241 on the note, and $9,393 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. The discount was fully amortized as of December 31, 2013. As of March 31, 2014, the outstanding balance due on the Note is $59,293, which includes $9,293 in accrued interest.

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On May 30, 2012, the Company entered into a Convertible Promissory Note Agreement ("the Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received $25,000 as a loan from Tangiers. The Note, as amended, has a term of twenty four (24) months, accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.06 per share. As further consideration, Tangiers shall be entitled to 150,000 5-year warrants exercisable at $0.06. The Note further specifies that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $10,988 on the note, and $9,380 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. The discount was fully amortized as of December 31, 2013. As of March 31, 2014, the outstanding balance due on the Note is $29,552, which includes $4,552 in accrued interest.

On June 19, 2012, the Company entered into a Convertible Promissory Note Agreement ("the Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received $100,000 as a loan from Tangiers. The Note, as amended, has a term of twenty four (24) months, accrues interest at a rate equal to 7% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at the lesser of 7 cents or the undiscounted VWAP price on the day prior to conversion, with a floor price of 2 cents. As further consideration, Tangiers shall be entitled to 750,000 5-year warrants exercisable at $0.07, and 750,000 5-year warrants exercisable at $0.14. The Note further specifies that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $58,048 on the note, and $41,952 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization expense during the three months ended March 31, 2014 was $9,194. As of March 31, 2014, the outstanding balance due on the Note is $112,490, which includes $12,490 in accrued interest.

On July 11, 2012, the Company issued a $550,000 Promissory Note ("the Note") to JMJ Financial, ("JMJ", or “the Lender”). The Principal Sum due to the Lender shall be prorated based on the consideration actually paid by the Lender, plus an approximate 10% Original Issue Discount ("OID") that is prorated based on the consideration actually paid by the Lender as well as any other interest or fees, such that the Company is only required to repay the amount funded and the Company is not required to repay any unfunded portion of the Note. The Note has a maturity date of twelve (12) months from the Effective Date. If the Note is repaid within ninety (90) days of the Effective Date, the interest rate shall be zero percent (0%). Should the Note still be outstanding after 90 days, a one-time 5% interest rate will be applied. In addition, the Lender has the right, at any time 90 days after the Effective Date, at its election, to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Conversion Price is the lesser of $0.10 or 70% of the average of the two lowest closing prices in the 25 trading days previous to the conversion. The consideration received as of December 31, 2012 is $115,000. Due to the floating conversion price this note had an embedded derivative. The debt discount resulting from the derivative was valued on the date of grant to be $111,517 on the note. This value was recorded as a discount on debt and offset to derivative liability. In addition there was a $11,500 discount as a result of the principal owed ($126,500) exceeding the cash received ($115,000). This resulted in a total discount of $123,017. Amortization of the discount was $58,307 and $64,710 for the twelve months ended December 31, 2012 and 2013, respectively. During the twelve month period ended December 31, 2013 an additional $235,000 was drawn down from this facility, plus $27,550 in OID. The debt discounts resulting from the derivatives on each draw date was valued on the date of grants to be a cumulative value of $228,713 on the notes as of December 31, 2013. Amortization of the discount was $169,424 as of December 31, 2013. Amortization expense during the three months ended March 31, 2014 was $26,655. During the twelve month period ended December 31, 2013, stock conversions reduced the outstanding balance of principal and accrued interest due by $283,920, and the Company issued an aggregate of 11,229,544 common shares with the conversions, which was consistent with the note agreement, and therefore no gain or loss was recognized on the conversions. During the three month period ended

March 31, 2014, an additional $40,000 was drawn down from this facility, plus $4,000 in OID. and a discount of $45,200 was recorded. Amortization for the three month period ended March 31, 2014 was $26,655. During the three month period ended March 31, 2014, stock conversions reduced the outstanding balance of principal and accrued interest due by $50,208, and the Company issued an aggregate of 2,515,280 common shares for the conversions, which was consistent with the note agreement, and therefore no gain or loss was recognized on the conversions. As of March 31, 2014, the outstanding balance due on the Note is $119,575, which includes $4,519 in accrued interest.

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On October 2, 2012, the Company issued a $750,000 Promissory Note ("the Note") to Tangiers Investors, LP ("Tangiers", or “the Lender”). The consideration will be received by the Company in tranches of $50,000 no less than bi-weekly, by mutual consent. The Principal Sum due to the Lender shall be prorated based on the consideration actually paid by the Lender plus any accrued interest, such that the Company is only required to repay the amount funded and the Company is not required to repay any unfunded portion of the Note. The Note has a maturity date of twenty four (24) months from the Effective Date of each tranche. The Note shall accrue interest at a rate of 7% per annum on each $50,000 tranche independently from other tranches. Unless repaid in cash, the Lender shall have the right to convert all or part of the outstanding and unpaid Principal Sum and accrued interest into shares of fully paid and non-assessable shares of common stock of the Registrant. The Conversion Price shall be the undiscounted volume weighted average price (VWAP) on the day of conversion, subject to a floor price of $0.0129 per share, and a ceiling price of the undiscounted VWAP on the date prior to each tranche received by the Registrant. In addition, upon conversion, 125,000 5-year warrants for each $50,000 in Consideration received shall be issued, at an exercise price of 125% of the Conversion Price of each tranche, as applicable. There is no penalty for prepayment, with prepayment subject to the consent of the Lender. As of March 31, 2014, the Company has drawn $421,098 from this facility. As of December 31, 2013, the outstanding balance due on this Note is $419,674 which includes $23,577 in accrued interest. Amortization for the three month period ended March 31, 2014 was $11,087. As of March 31, 2014, the outstanding balance due on the Note is $451,605, which includes $30,508 in accrued interest.

On September 26, 2013, the Company acquired a Case 580SM Backhoe for the purchase price of $56,071. This purchase was financed as a 36 month note with CNH Capital America LLC at an interest rate of 8.49%. A $10,000 initial payment was made on October 1, 2013, with 36 payments scheduled at $1,462 per month. As of December 31, 2013, the principal balance due on this note was $41,687 plus $1,114 in accrued interest. As of March 31, 2014, the principal balance due on this note was $37,300 plus $2,304 in accrued interest.

On October 1, 2013, the Company issued a $280,000 Secured Convertible Promissory Note ("the Typenex Note", or the “Note”) to Typenex Co-Investment, LLC ("Typenex"). The Note carries a $25,000 original issue discount (the “OID”), as well as $5,000 in transaction fees. The interest rate on the Note is 10% per annum. The Note has a maturity date of thirteen (13) months from the Effective Date, and has a fixed conversion price of $0.08 if converted by the holder. The Note is self-amortizing, such that it may be repaid in cash in eight (8) monthly installments of $35,000 plus accrued interest beginning 180 days from the Effective Date. In lieu of cash payments, the Company may elect to convert the note to shares at 70% of the arithmetic average of the two (2) lowest VWAPs of the shares of Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In addition, the Company retains the option of pre-paying the Note at any time at an amount equal to 125% of the outstanding principal and the accrued and unpaid interest. The initial tranche received from this transaction was $125,000. The debt discount due to the tainted equity valuation and “OID” was $125,000 and $30,000, respectively. The second tranche of $125,000 was received on January 31, 2014, and as of March 31, 2014 a debt discount of $227,958 was recorded. Amortization on the debt discount was $56,985 during the three month period ended March 31, 2014. As of March 31, 2014, the principal balance due on this note was $289,760, which includes $9,760 in accrued interest.

On October 7, 2013, the Company issued a $56,500 Promissory Note ("the LG Note", or the "Note") to LG Capital Funding LLC ("LG", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,500 in transaction fees payable to the Lender. The Note has a maturity date of nine (9) months from the Effective Date. If the Note is repaid within ninety (90) days of the Effective Date, the interest rate shall be zero percent (0%). Should the Note still be outstanding after 90 days, a one-time 5% interest rate will be applied. Unless the Note is prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Registrant. The Conversion Price is the lesser of $0.10 or 70% of the average of the two lowest closing prices in the 25 trading days previous to the conversion. The consideration received as of December 31, 2013 is

$50,000. Due to the floating conversion price this note had an embedded derivative. The debt discount resulting from the derivative was valued on the date of grant to be $55,758 on the note. This value was recorded as a discount on debt and offset to derivative liability. In addition there was a $6,500 discount as a result of the principal owed ($56,500) exceeding the cash received ($50,000). This resulted in a total discount limited to the Note principal of $56,500. Amortization of the discount was $13,932 for the three month period ended March 31, 2014. As of December 31, 2013, the outstanding balance due on this Note is $56,500. As of March 31, 2014, the principal balance due on this note was $59,325, which includes $2,825 in accrued interest. Subsequent to March 31, 2014, this Note was converted to 4,154,411 shares of common stock, and the Note has paid in full and retired.

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On January 31, 2014, the Company issued two $50,000 Convertible Redeemable Notes ("the Note", or collectively “the Notes”) to GEL Properties, LLC ("GEL", or “the Lender”). Each Note carries a 10% original issue discount (the “OID”), such that the outstanding balance upon the issuance of each Note is $55,000. Each Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 5% per annum. The Notes may be converted to shares of Common Stock of the Company at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. As of March 31, 2014, only one of these notes has been funded, such that the initial tranche received from this transaction was $50,000, less $2,500 in legal fees, and a commission paid to Carter Terry & Company, a registered broker-dealer, consisting of $4,000 in cash. Due to the floating conversion price this note had an embedded derivative. The debt discount resulting from the derivative was valued on the date of grant to be $52,129 on the note. This value was recorded as a discount on debt and offset to derivative liability. Amortization of the discount was $8,426 for the three month period ended March 31, 2014. As of March 31, 2014, the principal balance due on this note was $55,445, which includes $445 in accrued interest.

On February 3, 2014, the Company issued two $30,000 Convertible Redeemable Notes ("the LG Note", or collectively “the Notes”) to LG Capital Funding, LLC ("LG", or “the Lender”). Each LG Note carries a 10% original issue discount (the “OID”), such that the outstanding balance upon the issuance of each LG Note is $33,000. Each LG Note has a maturity date of nine (9) months from the Effective Date, and accrues interest at 5% per annum. The Notes may be converted to shares of Common Stock of the Company at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. As of March 31, 2014, only one of these notes has been funded, such that the initial tranche received from this transaction was $30,000, less $1,500 in legal fees, and a commission paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,400 in cash. The debt discount resulting from the derivative was valued on the date of grant to be $32,280 on the note. This value was recorded as a discount on debt and offset to derivative liability. Amortization of the discount was $6,388 for the three month period ended March 31, 2014. As of March 31, 2014, the principal balance due on this note was $33,253, which includes $253 in accrued interest.

On March 13, 2014, the Company issued a $35,000 Convertible Redeemable Note (the “Note”) to LG Capital Funding LLC ("LG", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,750 in transaction fees. The Note has a maturity date of nine (9) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,800 in cash. The debt discount resulting from the derivative was valued on the date of grant to be $31,453 on the note. This value was recorded as a discount on debt and offset to derivative liability. Amortization of the discount was $21,889 for the three month period ended March 31, 2014. As of March 31, 2014, the principal balance due on this note was $38,590, which includes $90 in accrued interest.

On March 13, 2014, the Company issued a $30,000 Convertible Redeemable Note (the “Note”) to Union Capital LLC ("Union", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,500 in transaction fees. The Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part

of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,400 in cash. The debt discount resulting from the derivative was valued on the date of grant to be $29,074 on the note. This value was recorded as a discount on debt and offset to derivative liability. Amortization of the discount was $1,494 for the three month period ended March 31, 2014. As of March 31, 2014, the principal balance due on this note was $33,077, which includes $77 in accrued interest.

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On March 27, 2014, the Company issued a $50,000 Convertible Promissory Note (the “Note”) to Beaufort Capital Partners LLC ("Beaufort", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID"). The Note has a maturity date of six (6) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $4,000 in cash. The debt discount resulting from the derivative was valued on the date of grant to be $52,808 on the note. This value was recorded as a discount on debt and offset to derivative liability. In addition there was a $5,000 discount as a result of the principal owed ($55,000) exceeding the cash received ($50,000). This resulted in a total discount limited to the Note principal of $54,421 including amortization of $579 as of March 31, 2014. As of March 31, 2014, the principal balance due on this note was $55,030, which includes $30 in accrued interest.

The following table summarizes all of the Convertible Notes outstanding as of March 31, 2014 and December 31, 2013:

	March 31, 2014	December 31, 2013
Mortgage payable – Ruby Mine	$ 1,760,130	$ 1,832,638
Secured note payable with annual interest rate of 8%	37,300	41,687
Discount on note payable	-	-
Net note payable	1,797,430	1,874,325
Convertible notes:		
Secured convertible notes payable with annual interest rate of 10%	280,000	155,000
Unsecured convertible notes payable with annual interest rate of 9.9%	275,000	275,000
Unsecured convertible notes payable with annual interest rate of 8%	-	-
Unsecured convertible notes payable with annual interest rate of 7%	510,354	496,097
Unsecured convertible notes payable with annual interest rate of 5%	396,800	175,050
Discount on debt from derivative valuation	(476,039)	(264,389)
Total convertible notes	986,115	836,858
Total Debt	$ 2,783,545	$ 2,711,183

NOTE 8 DEFERRED FINANCING COSTS

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of Convertible Note transactions. Deferred financing costs as of March 31, 2014 was $50,630. Amortization was $13,536 and $11,345 for the three month periods ended March 31, 2014 and 2013, respectively.

These costs include commissions paid to Carter Terry & Company, a registered broker-dealer, consisting of $25,600 in cash. These amounts were capitalized to Deferred Financing Costs and amortized over the term of the note. Amortization is provided on a straight-line basis over the terms of the respective debt instruments to which the costs relate and is included in interest expense. The difference between the straight line and effective interest methods is immaterial due to the short term nature of the convertible notes.

NOTE 9 DERIVATIVE LIABILITIES

On July 11, 2012, the Company borrowed $100,000 requiring principal repayment of $110,000 convertible at the lesser of $0.10 or the average of the two lowest closing prices in the 25 trading days prior to conversion. This note payable contained an embedded derivative liability due to the conversion feature not being considered fixed or determinable. The related derivative liability was valued at issuance and the fair value of $98,366 was recorded as a derivative liability and debit to debt discount.

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In addition to this convertible note all other debt and equity instruments (except for preferred stock) convertible to common stock at the discretion of the holder were considered as a part of the derivative liability due to the tainted equity environment. As of July 11, 2012, these tainted instruments consisted of convertible debt outstanding of $375,000 and 20,050,000 warrants. These instruments were valued when they became tainted on July 11, 2012. The fair value of the conversion features on the convertible debt of $83,358 was added to the derivative liability and recorded as a part of the loss on the derivative for the period. The fair value of the warrants was also added to the derivative liability and recorded as a loss on the derivative liability.

During the year ended December 31, 2013, the Company issued additional convertible notes totaling $692,797, which were considered tainted upon issuance. The related derivative liability and debt discount recorded was valued at inception and equal to $585,210. In addition, the Company retired $253,336 in debt and accrued interest through cash payments and stock conversions, which resulted in a settlement of derivative liabilities to additional paid in capital of $386,536. All instruments with embedded derivative liabilities or included in the derivative liability due to the tainted equity environment were re-valued at December 31, 2013, with all changes flowing through the gain/loss on derivative for a total gain on derivative of $151,533 for the year ended December 31, 2013. The derivative liability related to convertible debt was valued at $548,447, and the derivative liability related to warrants was $148,201 as of December 31, 2013. This includes 4 million new warrants granted in FY 2013 that were valued and included in the derivative.

During the three months ended March 31, 2014, the Company issued additional convertible notes totaling $409,700, which were considered tainted upon issuance. The related derivative liability was valued at inception and equal to $467,934 from a $111,026 loss and a $356,908 discount. In addition, the Company retired $50,208 in stock conversions, which resulted in a settlement of derivative liabilities to additional paid in capital of $36,033. All instruments with embedded derivative liabilities or included in the derivative liability due to the tainted equity environment were re-valued at March 31, 2014, with all changes flowing through the gain/loss on derivative for a total gain on derivative of $350,393 for the three months ended March 31, 2014. The derivative liability related to convertible debt was valued at $675,828, and the derivative liability related to warrants was $102,328 as of March 31, 2014.

The following shows the changes in the derivative liability measured on a recurring basis for the three months ended March 31, 2014, and for the year ended December 31, 2013.

Derivative Liability at December 31, 2013	$ 696,648
Gain on Derivative Liability	(350,393)
Settlement to APIC from Conversion	(36,033)
Additions to Liability for Convertible Debt recorded as debt discount	356,908
Additions to Liability for Convertible Debt expensed due to value of derivative exceeding debt	111,026
Derivative Liability at March 31, 2014	$ 778,156

The following tabular presentation reflects the components of derivative financial instruments on the Company's balance sheet at March 31, 2014 and December 31, 2013:

Derivative Liabilities:	March 31, 2014	December 31, 2013
Embedded derivative liability in convertible debt	$ 309,053	$ 156,761
	469,103	391,686

Derivative liability due to tainted equity – convertible debt				
Derivative liability due to tainted equity – warrants		102,328		148,201
Total Derivative Liability	$	778,156	$	696,648

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NOTE 10 COMMITMENTS AND CONTINGENCIES

During the second quarter of fiscal 2013, the Company discovered it had offered and sold certain shares of common stock without registration under the Securities Act of 1933 (the “Securities Act”), as amended, during the period from October 24, 2011 through April 25, 2013. Pursuant to Section 10(a)(3) of the Securities Act, by the time our prospectus had been in use for 9 months from the effective date of January 24, 2011, the balance sheet date of the audited financial statement contained in our prospectus was more than 16 months old, and had not been refreshed to present our current financial statements within said prospectus. This inadvertent technical failure to update our prospectus according to Section 10(a)(3) of the Securities Act may have caused our prospectus to no longer be effective as of October 24, 2011. As a result, purchasers of these securities may have the right to rescind their purchases for an amount equal to the purchase price paid for the securities, plus interest from the date of purchase, limited to the unregistered shares purchased from the original seller and still held by the original purchaser. The federal Securities Act requires that any claim for rescission be brought within one year of reporting the violation. The time periods within which claims for rescission must be brought under state securities laws vary and may be two years or more from the transaction date. As of the date of this report, approximately 10 million shares of our outstanding common stock are subject to possible rescission. The maximum potential liability as of March 31, 2014 and December 31, 2013 was $682,402 and $667,758, respectively. These amounts include interest at 10% per annum from the date of the respective purchases. Due to the shares being redeemable by the holder since their inception, the shares are required to be classified outside of permanent equity on the balance sheet. Since redemption is uncertain and outside of the Company’s control the shares are classified within the mezzanine section of the balance sheet at their respective redemption values. Any differences between the cash received and the redemption value was recorded to additional paid in capital. Interest of 10% is being accrued on the values and is recorded through additional paid in capital consistent with the appropriate accounting guidance covering the accounting treatment of mezzanine instruments.

The following shows the changes in the redeemable common stock from October 24, 2011 through March 31, 2014.

Cash received for 880,982 shares issued after October 24, 2011	$	89,000
Mark redeemable common stock down to the redeemable amount		(974)
Interest on redeemable common stock		247
Redeemable common stock value at December 31, 2011	$	88,273
Cash and note relief received for 3,636,619 shares issued		227,000
Mark redeemable common stock up to the redeemable amount		29,516
Interest on redeemable common stock		22,701
Redeemable common stock value at December 31, 2012	$	367,490
Cash received for 5,699,885 shares issued		197,000
Mark redeemable common stock up to the redeemable amount		52,346
Interest on redeemable common stock		50,922
Redeemable common stock value at December 31, 2013	$	667,758
Interest on redeemable common stock		14,644
Redeemable common stock value at March 31, 2014	$	682,402

As of March 31, 2014 and December 31, 2013, respectively, the Company does not have any outside commitments, and is not currently leasing any office space. Office space is provided as part of a management agreement with The PAN Network, a private business management and consulting company wholly-owned by the Company's Chief Executive Officer (see Note 14 - Related Party Transactions). The agreement is renewable annually at the discretion of both parties. As a result there are no future payments for our lease beyond the current year contract.

The Company is not and has never been involved in any litigation of any nature, and the Company is not aware of any pending or threatened litigation.

EB-5

On July 28, 2010, the Company executed an agreement with ACG Consulting, LLC ("ACG") intended to establish a new economic Regional Center ("RC") under the federal EB-5 program (the "EB-5 Program") that will encompass all of Northern California's Gold Country. Once established, the Regional Center is expected to provide full funding for the Company's Ruby Mine Project in Sierra County, California. Terms of the agreement specify that upon filing an application for a new Regional Center with USCIS, North Bay shall pay ACG its share of the startup expenses, which as of December 31, 2011 were $0. During Q1, 2011, the Company agreed to reimburse ACG $37,216 in expenses incurred to prepare and file EB-5 applications with USCIS. As of March 31, 2011, $15,000 of this amount had been paid, and $22,216 remained outstanding. As of December 31, 2011, $0 remains outstanding and this account has been paid in full. No shares of Company stock have been or will be issued in connection with this agreement.

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The agreement also provides that North Bay will own 49% of the Regional Center, and ACG will own 51%. ACG and North Bay, working together through the Regional Center, will seek to raise up to $7.5M in EB-5 funding for North Bay's Ruby Mine Project, subject to USCIS approval. ACG will also be an equity partner in each project North Bay may bring into the Regional Center, the amount of which will vary on a deal by deal basis based on the amount of consulting services ACG actually provides. At the present time, no projects other than mining are being considered, and the industry focus for the Regional Center is expected to be limited to mining initially.

Effective October 14, 2010, the Company, together with ACG, entered into a Memorandum of Understanding ("MOU") with Northern California Regional Center, LLC ("NCRC"), whereby NCRC has agreed to expand its scope to include mining projects in the counties of Sierra and Nevada in Northern California, and together with ACG has agreed to sponsor North Bay's application to secure $7.5 million for the Ruby Gold project in Sierra County, California, through the EB-5 Program. NCRC was approved on April 22, 2010 by the United States Citizenship and Immigration Services ("USCIS") as a designated EB-5 Regional Center, and is currently approved to sponsor qualifying investments in such capacity within the counties of Colusa; Butte; Glenn; Sacramento; San Joaquin; Shasta; Sutter; Tehama; Yuba; and Yolo in the State of California (the "Regional Center's Geographic Area"). Pursuant to its regional center designation, NCRC may sponsor qualifying investments in certain industry economic sectors that do not currently include mining. The agreement with North Bay and ACG calls for NCRC to seek USCIS approval for an expansion of NCRC's Regional Center Geographic Area (the "Expansion") to include Sierra County, where the Ruby Mine is located, and for approval to include mining within its designated industry sectors (the "Mining Designation"). These applications have been filed with USCIS, and are currently being reviewed. Upon approval of the Expansion and Mining Designation by USCIS, NCRC will then be permitted to sponsor qualified investments in North Bay's Ruby Gold project under the EB-5 Program. Under the terms of the agreement, NCRC will receive a $5,000 fee for each investor whose minimum $500,000 investment is approved by USCIS. In addition, upon the Ruby Gold project receiving the aggregate sum of $7,500,000 through the EB-5 Program, NCRC shall be entitled to an undivided one and one half percent (1.5%) interest in the Ruby Gold project. No shares of Company stock have been or will be issued in connection with this agreement, and the entire EB-5 funding is expected to be non-dilutive to shareholders.

On July 19, 2011, the NCRC Expansion Amendment, which includes the Mining Designation and pre-approval of the Ruby Gold project as a qualified EB-5 project, was formally approved by USCIS. As of the date of this report, the EB-5 funding is still pending and is considered unlikely to be completed.

NOTE 11 STOCK SPLITS

On February 18, 2005, the Company effected a 4 for 1 forward stock split of our common shares. On March 12, 2006, and on February 7, 2008, the Company effected 1 for 10 reverse stock splits. All information presented herein has been retrospectively adjusted to reflect these stock splits as they took place as of the earliest period presented.

NOTE 12 DEFERRED COMPENSATION/NQDC

The Company has adopted an unfunded Non-Qualified Deferred Compensation (NQDC) plan to compensate our Chief Executive Officer. Under this plan, the Company is not required to reserve funds for compensation, and is only obligated to pay compensation when and if funds are available. Any amounts due but unpaid automatically accrue to deferred compensation. The plan has the option to be renewed annually at the discretion of the Company. While unfunded and non-recourse, for compliance with GAAP this is disclosed as an accrued expense on the balance sheet. On April 28, 2011, the Company issued two million (2,000,000) shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of issuance. On December 9, 2013, the Company issued five million (5,000,000) shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market

price of our common stock on the date of issuance, which was equal to the deferred compensation relieved. As of March 31, 2014 and December 31, 2013, the outstanding balance of the NQDC plan is $832,474 and $820,474, respectively.

In 2007, 2008, and 2009, our Chief Executive Officer was awarded restricted stock bonuses for deferring accrued salary. The value of common shares were based on the market closing price on the day of issuance, and the value of preferred shares were valued via a valuation model generated by an independent valuation expert, as follows:

Date	Type of Stock	Number of Shares	Value	
2/12/2007	Preferred	100	$	101,000
2/9/2007	Common	250,000	$	31,250
12/21/2007	Common	10,000,000	$	900,000
12/16/2008	Common	2,500,000	$	50,000
8/11/2009	Preferred	4,100,000	$	253,785

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NOTE 13 ASSET RETIREMENT OBLIGATIONS

Provisions for site closure and reclamation costs are based principally on legal and regulatory requirements established by various government agencies, principally Sierra County, California, the US Forest Service, and the California Dept. of Conservation Office of Mine Reclamation (OMR). Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its operations and to perform site restoration and other closure activities at its mining sites. The exact nature of environmental remediation requirements that may be encountered in the future, if any, cannot be predicted with certainty, because environmental requirements currently established by government agencies may change.

The following table illustrates the inputs used to calculate the current Asset Retirement Obligation as of March 31, 2014 and December 31, 2013.

Cost estimate for reclamation work at today's cost	$ 172,914
Estimated life of mine (years)	50
Risk adjusted rate (borrowing rate)	9.9%
Estimated inflation rate	2.2%

		Asset Retirement Obligation
Asset retirement obligation at 12/31/13	$	6,158
Adjustment		(1,708)
Accretion Expense		152
Asset retirement obligation at 3/31/14	$	4,602

NOTE 14 RELATED PARTY TRANSACTIONS

In August 2009, the Board of Directors approved and the Company executed a management agreement with The PAN Network (“PAN”), a private business management and consulting company wholly-owned by the Company’s Chief Executive Officer. The agreement is in consideration of $18,000 per month, and calls for PAN to provide (a) office and board room space, including reception, utilities, landline phone/fax, computers, copiers, projectors, and miscellaneous services; (b) financial services, including accounting, corporate filing and bookkeeping; (c) project and administrative services; (d) resource targeting, acquisition, development and management services; (e) marketing services, communications, marketing materials management, and writing services; (f) strategic planning, milestone management and critical path analysis; and (g) online services, including web site hosting, web site design, web site maintenance, and email services. The agreement includes Mr. Leopold’s salary of $15,000 per month, which will accrue entirely to deferred compensation during any period in which the commitment remains unpaid. The term of the agreement is one year, and automatically renews annually on January 1 each year unless otherwise terminated by either party. During the year ended December 31, 2013, $100,000 of the amount due was paid in cash, and $116,000 accrued to deferred compensation. On December 9, 2013, the Company issued five million (5,000,000) shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of issuance.

During the twelve month period ended December 31, 2012, all 100,000 outstanding shares of the Series G Convertible Preferred that were previously issued to Mr. Leopold in August 2009 were cancelled at the request of and consent of Mr. Leopold, the sole shareholder of the class. Subsequent to the cancellation of said shares, a Certificate of Elimination of the Series G Convertible Preferred Stock was filed with the Secretary of State of the State of Delaware to eliminate entirely the Series G Convertible Preferred stock designation from our Articles of Incorporation.

During the twelve month period ended December 31, 2013, director Fred Michini was paid $10,000 in director fees, which was paid as 277,778 shares of stock valued at the closing market price of our common stock on the date of issuance.

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NOTE 15 ADVANCE GOLD SALES

On June 4, 2013, the Company executed a Memorandum of Understanding (the “Agreement”) with a private US investor (the “Investor”) for an advance sale of up to 120 ounces of specimen gold from the Ruby Mine in Sierra County, California. The price paid in advance by the Investor shall be at a ten percent (10%) discount to the then-current spot price of gold (the “Purchase Price”) on the day the gold is produced and made available for shipment (the “Delivery Date”). The Investor will acquire the right to purchase the gold at their discretion. Upon signing the Agreement, the Company received an initial cash advance of $150,000 (the “Advance”), which is based on a 10% discount to the current spot price of gold, for delivery of the first 120 ounces of specimen gold produced from the Ruby Mine on or before February 1, 2014 (the “Due Date”). The Advance paid will be applied to the amount due to the Company on the Delivery Date, as determined by the then-current spot price of gold on the Delivery Date. In the event that 120 ounces of specimen gold is not available for delivery by the Due Date, the Investor will be entitled to be repaid the Advance in cash plus 10% interest equal to $165,000 total, with an option to still purchase the same amount of gold at a discount of 10% to the then-current spot price of gold when the specimen gold becomes available for delivery at a later date. A $165,000 cash payment was made on the due date, February 1, 2014, and the Advance has been repaid. The payment offset $15,000 of the derivative liability, and the remaining derivative liability of $1,667 was settled to additional paid-in capital with payment. As per the Agreement, the investor retains the right to purchase 120 ounces of gold at a future date at a 10% discount to the then-current spot price of gold.

On August 2, 2013, the Company sold an additional 40 ounces of gold under the same terms for $50,000. In the event that the 40 ounces of specimen gold is not available for delivery by the Due Date on April 2, 2014, the Investor will be entitled to be repaid the Advance in cash plus 10% interest equal to $55,000 total, with an option to still purchase the same amount of gold at a discount of 10% to the then-current spot price of gold when the specimen gold becomes available for delivery at a later date.

The related obligations have been recorded for the full $200,000 received and an additional $22,223 recorded as a derivative liability represents the additional amount owed related to the 10% discount on the gold price. This discount of $22,223 is being amortized straight line over the term of the agreement resulting in amortization of $4,244 for the three months ended March 31, 2014.

NOTE 16 SHARE ISSUANCES SINCE JUNE 18, 2004 (INCEPTION)

In 2004, the Company issued an aggregate of 320,000 shares of common stock and 1,200,000 shares of preferred stock as Founders shares to the Company Founders. The preferred stock was convertible to common stock at a rate of one common share per two preferred shares. The shares were valued at their par value which was equal to $1,520.

In 2004, the Company issued an aggregate of 320,000 shares of common stock and 1,200,000 shares of preferred stock to the Company Officers and Directors upon the merger of Ultimate Jukebox, Inc. and NetMusic Corp. The preferred stock was convertible to common stock at a rate of one common share per two preferred shares. The shares were valued at their par value which was equal to $1,520.

Prior to 2008, the Company issued an aggregate of 12,005,491 shares of common stock for services rendered and exploration stage mining properties. The shares were valued at $5,100,667, based on the market price on the date of grant.

Prior to 2008, the Company issued an aggregate of 2,574,127 shares of common stock to convert debt to equity. The shares were valued at $2,510,825 based on the market price on the date of issuance. Any differences between the value of the shares issued and the debt relieved were recorded as a gain or loss on conversion.

Prior to 2008, the Company issued an aggregate of 302,643 shares of common stock in private placements. The consideration received was $522,700.

Prior to 2008, the Company purchased back and retired 200,000 shares at a net cost of $2,000.

Prior to 2008, the Company received a contribution of $164,371 from a shareholder to pay expenses for mineral claim exploration.

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Prior to 2008, the Company issued 100 shares of Series I Preferred stock to our Chief Executive Officer, Mr. Perry Leopold, as an anti-takeover measure to insure that Mr. Leopold maintains control of the Company during periods when the Company's stock may be severely undervalued and subject to hostile takeover in the open market. As specified in the Certificate of Designation filed by the Company with the Delaware Secretary of State in February 2007, "the outstanding shares of Series I Preferred Stock shall vote together with the shares of Common Stock of the Corporation as a single class and, regardless of the number of shares of Series I Preferred Stock outstanding and as long as at least one of such shares of Series I Preferred Stock is outstanding, shall represent eighty percent (80%) of all votes entitled to be voted at any annual or special meeting of shareholders of the Corporation or action by written consent of shareholders. Each outstanding share of the Series I Preferred Stock shall represent its proportionate share of the 80% which is allocated to the outstanding shares of Series I Preferred Stock." The value of the Series I Preferred shares was valued at $101,000 according to the value of the control premium from 80% of the voting rights assigned to Series I Preferred stock.

Prior to 2008, the Company converted 2,400,000 shares of Convertible Series A preferred stock to 1,200,000 shares of common stock. The shares were convertible at a ratio of one share of common stock per two shares of preferred stock.

Prior to 2008, a non-convertible note payable from a third party totaling $50,000 with a 20% interest rate, maturing thirty days from the note date, was converted into 1,250,000 shares of common stock. During the same period, a non-convertible note payable from a third party totaling $12,000 with a 10% interest rate, maturing one year from the note date, was converted into 100,000 shares of common stock. The aggregate shares were valued according to the closing market price on their respective conversion dates at $121,500.

Prior to 2008, beneficial conversion features related to convertible notes payable totaling $62,000 were recorded. The entire discount was expensed in the year ended December 31, 2007 due to the conversion of the note prior to year end.

During 2008, the Company received a contribution of $10,000 from a shareholder for mineral claim maintenance.

During 2008, the Company issued an aggregate of 5,500,000 shares of common stock for services rendered. The shares were valued at $230,000, based on the market price on the date of grant.

During 2008, the Company issued 2,275,000 shares of common stock in a private placement. The consideration received was $10,000.

During 2009, the Company issued 4,000,000 shares of Series A Preferred stock, and 100,000 shares of Series G Preferred stock to our Chief Executive Officer as a bonus for services rendered. Each share of Series A Preferred has 10 votes per share and is convertible to 5 shares of common. The Series G Preferred stock has no voting rights, and each share is convertible to 1/100 of an ounce of gold, or 20 shares of common. The conversion of the Series G Preferred stock into gold can only be exercised by the holder if the company has gold inventory at the time of conversion. The conversion value of the shares was $253,785 based on the value of the closing price of the common stock the preferred shares were convertible into on the day of issuance, plus the value of the control premium from voting rights assigned to the preferred share issuances.

During 2009, the Company issued an aggregate of 21,800,000 shares of common stock in private placements. The consideration received was $173,000.

During 2009, the Company issued an aggregate of 10,000,000 shares of common stock to a private investor to reduce the balance due of deferred compensation to the Chief Executive Officer by $100,000. The deferred compensation was assigned by the Chief Executive Officer to the private investor in lieu of cash, and the assigned liability was immediately converted to equity by the investor. The value of the shares issued according to the market price on the

date of issuance was $187,500. The difference between the value of the deferred compensation and the value of the shares issued was recorded as a loss on conversion.

During 2009, the Company issued an aggregate of 2,500,000 shares of common stock for services rendered. The shares were valued at $29,750, based on the market price on the date of grant.

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During 2009, the Company secured $5 Million in financing under an equity line of credit with Tangiers Investors, LP ("Tangiers") to fund the Company's operations and prospective mining acquisitions. North Bay has entered into a Securities Purchase Agreement with Tangiers that provides North Bay the right, but not the obligation, to draw down on the equity line of credit by selling to Tangiers shares of the Company's common stock for a total purchase price of up to $5 Million. Tangiers will pay the Company 90% of the lowest volume weighted average price of the Company's common stock during the pricing period as quoted by Bloomberg, LP on the Over-the-Counter Bulletin Board ("OTCBB"). Tangiers' obligation to purchase shares of the Company's common stock under the Securities Purchase Agreement is subject to certain conditions, including the Company obtaining an effective registration statement for shares of the Company's common stock sold under the Securities Purchase Agreement and is limited to $100,000 per 10 consecutive trading days after the advance notice is provided to Tangiers. Upon signing the Securities Purchase Agreement, the Company has agreed to issue Tangiers $85,000 in restricted stock as a one-time commitment fee. This was classified as Stock Payable at December 31, 2009 and valued at $115,310, based on the closing market price of our common stock as of October 7, 2009, the date the contract was signed. Subsequently, the Company issued 6,589,147 shares of restricted common stock on January 20, 2010 to satisfy this obligation.

During 2010, the Company issued 6,589,147 shares of restricted common stock to Tangiers Investors, LP (“Tangiers”) as a one-time commitment fee in compliance with the October 7, 2009 agreement with Tangiers. The value of these shares was recorded in 2009 as a stock payable due to the obligation existing at that time. Due to the instrument to be only settled with the issuance of shares, no gain or loss was recorded with the issuance in 2010, and the full value of the stock payable was relieved to common stock and additional paid-in capital.

During 2010, the Company issued 5,000,000 shares of common stock in a Rule 504 private placement. The consideration received was $50,000.

During 2010, the Company issued 10 million shares of common stock to Ruby Development Company as part of the initial consideration for the signing of an option-to-purchase agreement on the Ruby Mine. The market value of these shares as of the date the contract was executed was $150,000. This amount was capitalized to Other Assets due to it being a part of the Ruby Mine Purchase Option costs.

During 2011, the Company registered 19,726,822 shares of our common stock with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to an equity line of credit (“ELOC”) and Securities Purchase Agreement ("SPA") entered into with Tangiers on October 7, 2009. Pursuant to the terms of the SPA, the Company has the right, but not the obligation, to draw down on the ELOC by selling to Tangiers shares of the Company's common stock for a total purchase price of up to $5 Million. Tangiers will pay the Company 90% of the lowest volume weighted average price of the Company's common stock during the 5-day pricing period immediately following any advance notice provided to Tangiers. Advances are limited to $100,000 per 10 consecutive trading days after the advance notice is provided to Tangiers. As of December 31, 2011, the Company has issued an aggregate of 10,314,967 of these registered shares to Tangiers, in consideration of $857,000. The Company issued 880,982 shares after October 24, 2011. As noted within footnote 10, the shares issued after this date were considered unregistered and re-classified to temporary equity based on the potential cash redemption to the investor.

During 2011, the Company issued 863,681 shares of common stock to satisfy a Convertible Promissory Note Agreement dated June 17, 2010 with Tangiers pursuant to which the Company received $17,500 as a loan from Tangiers. The total amount satisfied on conversion was $18,725, consisting of $17,500 in principal plus $1,225 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company issued 1,600,467 shares of common stock to satisfy a Convertible Promissory Note Agreement dated September 27, 2010 with Tangiers pursuant to which the Company received $50,000 as a loan from

Tangiers. The total amount satisfied on conversion was $52,495, consisting of $50,000 in principal plus $2,495 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company issued 42,857 shares of common stock for geological services rendered. The shares were valued at $3,000, based on the closing market price on the date of grant.

During 2011, the Company issued an aggregate of 1,437,416 shares of common stock to a Convertible Promissory Note Agreement dated December 30, 2010 with Tangiers pursuant to which the Company received $50,000 as a loan from Tangiers. The total amount satisfied on conversion was $51,612, consisting of $50,000 in principal plus $1,612 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company issued 550,000 shares common stock as a settlement on a 2009 consulting agreement. The shares were valued at $62,095 based on the closing market price on the day of the grant. This value was recorded as a loss on settlement during 2011.

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During 2011, the Company issued 2 million shares of common stock to our Chief Executive Officer to relieve $180,000 in accrued deferred compensation. The shares were valued at the closing market price on the day of the grant, and were equal in value to the accrued salary relieved.

During 2011, the Company issued 111,112 shares common stock to Fred Michini as directors compensation of $10,000. The shares were valued at the closing market price on the day of grant.

During 2011, the Company issued an aggregate of 557,528 shares of common stock to fully satisfy and retire a Convertible Note dated January 4, 2011 with Asher Enterprises, Inc. (“Asher”) pursuant to which the Company received $50,000 as a loan from Asher. The total amount satisfied on conversion was $51,020, consisting of $50,000 in principal and $1,020 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company accepted a notice of exercise on 500,000 warrants issued to Tangiers Investors, LP on December 30, 2010 that were attached to a convertible promissory note agreement dated December 30, 2010. The exercise price was $0.05 per shares, and the Company received $25,000 upon the exercise. 500,000 shares of common stock have not yet been issued, and are accounted for as stock payable.

During 2012, the Company issued 26,650 shares of common stock for geological services rendered. The shares were valued at $4,000, based on the closing market price on the date of invoice.

During 2012, the Company cancelled all outstanding shares of the Series G Convertible Preferred Stock and filed a Certificate of Elimination of the Series G Convertible Preferred Stock with the Secretary of State of the State of Delaware to eliminate entirely the Series G Convertible Preferred stock designation from our Certificate of Incorporation. The cancellation was initiated at the request of the sole shareholder of the Series G Preferred, and $100 was recorded to additional paid in capital.

During 2012, the Company issued a $100,000 Convertible Promissory Note ("the Note") to Tonaquint, Inc, ("Tonaquint", or “the Lender”). The Note carries a $10,000 original issue discount (the “OID”), as well as $3,000 in transaction fees, such that the initial Principal Sum due is $113,000. The interest rate on the Note is 8% per annum. The Note has a maturity date of nine (9) months from the Effective Date, and has a fixed conversion price of $0.06. The Note is self-amortizing, such that it may be repaid in cash in three monthly installments of $37,666.67 plus accrued interest beginning 180 days from the Effective Date. In lieu of cash payments, the Company may elect to convert the note to shares at 70% of the arithmetic average of the three (3) lowest VWAPs of the shares of Common Stock during the ten (10) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In addition, the Company retains the option of pre-paying the Note at any time at an amount equal to 125% of the outstanding principal and the accrued and unpaid interest.

During 2012, and in connection with the above mentioned Tonaquint transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $10,000 in cash and 85,000 restricted Rule 144 shares of common stock. The shares were valued at $5,610 based on the closing market price on the date of grant. This value is being amortized over the term of the related note agreement.

During 2012, the Company issued 3,636,619 shares of common stock previously registered with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, in consideration of cash received of $227,000. Related to the consideration received, $201,464 was received in cash, and the remaining $25,536 was applied as principal and interest to retire a $25,000 note payable to Tangiers dated December 30, 2011. As noted within footnote 10, these shares were considered unregistered and

re-classified to temporary equity based on the potential cash redemption to the investor.

During 2012, the Company issued 90,000 restricted shares of common stock for services rendered. The shares were valued at $6,660, based on the closing market price on the date of grant.

During 2012, the Company issued 500,000 shares that had been previously recorded as stock payable pursuant to a notice of exercise received in 2011 on 500,000 warrants issued to Tangiers Investors, LP on December 30, 2010. The exercise price was $0.05 per shares, and the Company received $25,000 upon the exercise.

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During the first half of 2013 the Company amended the Securities Purchase Agreement with Tangiers Investors LP ("Tangiers") dated October 7, 2009 to (a) increase the commitment amount from $5 million to $10 million, (b) increase the term from 3 years to 5 years, (c) increase the maximum draw from $100,000 to $250,000, (d) provides for up to 300% of the base amount of each draw as determined by the average daily trading volume in dollar amount during the 10 trading days (the "Base Amount") preceding the Advance Note date, and (e) the price on the Base Amount remains 90% of the lowest volume weighted average price of the Company's common stock during the 5 day pricing period following each Advance Notice (the "Market Price"), any Advance Notice that exceeds the Base Amount by up to 200% will be further discounted by 7.5% (or 82.5% of the Market Price), and any Advance Notice in excess of 200% and up to 300% of the Base Amount will be further discounted by an additional 7.5% (or 75% of the Market Price).

During the first half of 2013, the Company issued 5,700,049 shares of common stock to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of $197,000. As noted within footnote 10, these shares were considered unregistered and re-classified to temporary equity based on the potential cash redemption to the investor.

During the second half of 2013, the Company issued 13,564,152 shares of common stock to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of $459,000.

During 2013, and pursuant to twelve partial conversion notices received, the Company issued an aggregate of 11,229,545 shares of common stock of the Company to satisfy $283,920 of the principal and interest due on a Promissory Note ("the Note") dated July 11, 2012 with JMJ Financial, ("JMJ"). The number of shares issued was consistent with the terms of the agreement, therefore equity was credited for the value of the debt relieved with no gain or loss recorded.

During 2013, the Company issued 57,143 shares of restricted common stock for geological services rendered in the amount of $4,000. The shares were valued on the grant date at the closing market price.

During 2013, the Company issued 94,563 shares of restricted common stock for mining safety & health services rendered in the amount of $3,782. The shares were valued on the grant date at the closing market price.

During 2013, the Company issued 40,000 shares of restricted common stock for mining services. The shares were valued at $1,480 based on the closing market price on the date of grant.

During 2013, the Company issued 5,000,000 shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of grant.

During 2013, the Company issued 277,778 shares of common stock to director Fred Michini for director fees earned during 2013. The shares were valued at $10,000 based on the closing market price of our common stock on the date of grant.

During 2013, in connection with the Typenex and LG note issuances, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $17,500 in cash and 148,750 restricted Rule 144 shares of common stock. The shares were valued at $6,481 based on the closing market price on the date of grant. This value is being amortized over the term of the related note agreement.

During the three month period ended March 31, 2014, the Company issued 11,801,616 shares of common stock previously registered with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of cash received of $301,500.

During the three month period ended March 31, 2014 and pursuant to three partial conversion notices received, the Company issued an aggregate of 2,515,280 shares of common stock of the Company to satisfy $50,208 of the principal and interest due on a Promissory Note ("the Note") dated July 11, 2012 with JMJ Financial, ("JMJ").

During the three month period ended March 31, 2014, $12,800 in stock payable (458,499 shares) is due to Carter Terry & Company, a registered broker-dealer, as additional commissions payable but not yet issued.

During the three month period ended March 31, 2014, the Company issued 100,000 shares of restricted common stock to William S. Watters, the new COO of our wholly-owned subsidiary, Ruby Gold, Inc., as a signing bonus. The shares were valued at $2,700 based on the closing market price on the date of grant.

NOTE 17 WARRANTS

Ten million warrants were issued to Ruby Development Company on September 27, 2010 as a part of the purchase option agreement for the Ruby Mine. The fair value of the warrants of $149,896 was capitalized related to this issuance. On January 26, 2011, the Ruby Mine purchase option was amended, and the term of said warrants was increased from two years to 5 years, and the fair value of the warrants was increased by $2,519 to $152,415. This value was calculated via the Black-Scholes model. The key inputs for the initial valuation are shown below.

Stock Price on Measurement Date	$	0.015
Exercise Price of Warrants	$	0.02
Term of Warrants (years)		2.26
Computed Volatility		440%
Annual Dividends		0.00%
Discount Rate		0.44%

Two and a half million warrants were issued to Tangiers Investors, LP on September 27, 2010 that were attached to a convertible promissory note agreement for $50,000. The fair value of 1,500,000 of the warrants of $22,475 was recorded as a discount on the convertible note payable upon issuance. The remaining 1,000,000 warrants had a fair value of $14,195. $9,965 was recorded as an additional discount related to these warrants based on the contingency resulting in their issuance being resolved, and the remaining undiscounted portion of the convertible note being equal to $9,965. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.015
Exercise Price of Warrants	$	0.05
Term of Warrants (years)		5.00
Computed Volatility		440%
Annual Dividends		0.00%
Discount Rate		1.31%

Five hundred thousand warrants were issued to Tangiers Investors, LP on December 30, 2010 that were attached to a convertible promissory note agreement for $50,000. The fair value of 500,000 of the warrants of $14,195 was recorded as a discount on the convertible note payable upon issuance. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.029
Exercise Price of Warrants	$	0.05
Term of Warrants (years)		5.00
Computed Volatility		375%
Annual Dividends		0.00%
Discount Rate		2.06%

Two million warrants were issued to Ruby Development Company on April 22, 2011 as a part of an amendment to the purchase option agreement for the Ruby Mine. The fair value of the warrants of $219,940 was capitalized related to this issuance. This value was calculated via the Black-Scholes model. The key inputs for the initial valuation are shown below.

Stock Price on Measurement Date	$	0.11
Exercise Price of Warrants	$	0.10

Term of Warrants (years)	5.00
Computed Volatility	324%
Annual Dividends	0.00%
Discount Rate	2.12%

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250,000 warrants were issued to Tangiers Investors, LP on December 29, 2011 that were attached to a convertible promissory note agreement for $25,000. The fair value of the warrants of $20,568 was recorded as a discount to the related debt. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.08
Exercise Price of Warrants	$	0.115
Term of Warrants (years)		5.00
Computed Volatility		158%
Annual Dividends		0.00%
Discount Rate		0.83%

500,000 warrants were issued to Tangiers Investors, LP on February 2, 2012 as part of a loan agreement for $100,000. The fair value of the warrants was $52,779. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.12
Exercise Price of Warrants	$	0.13
Term of Warrants (years)		5.00
Computed Volatility		157%
Annual Dividends		0.00%
Discount Rate		1.04%

Two million warrants were issued to Ruby Development Company on March 6, 2012 in consideration for reducing monthly mortgage payments for the Ruby Mine. The fair value of the warrants of $175,047 was expensed related to this issuance. This value was calculated via the Black-Scholes model. The key inputs for the initial valuation are shown below.

Stock Price on Measurement Date	$	0.095
Exercise Price of Warrants	$	0.09
Term of Warrants (years)		5.00
Computed Volatility		155%
Annual Dividends		0.00%
Discount Rate		0.83%

500,000 warrants were issued to Tangiers Investors, LP on March 15, 2012 as part of a loan agreement for $75,000. The fair value of the warrants was $45,268. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.098
Exercise Price of Warrants	$	0.09
Term of Warrants (years)		5.00
Computed Volatility		155%
Annual Dividends		0.00%
Discount Rate		1.33%

150,000 warrants were issued to Tangiers Investors, LP on May 16, 2012 as part of a loan agreement for $50,000. The fair value of the warrants was $9,411. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.07
Exercise Price of Warrants	$	0.07
Term of Warrants (years)		5.00
Computed Volatility		145%
Annual Dividends		0.00%
Discount Rate		0.75%

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150,000 warrants were issued to Tangiers Investors, LP on May 30, 2012 as part of a loan agreement for $25,000. The fair value of the warrants was $9,421. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.07
Exercise Price of Warrants	$	0.06
Term of Warrants (years)		5.00
Computed Volatility		142%
Annual Dividends		0.00%
Discount Rate		0.69%

750,000 warrants exercisable at $0.07 were issued to Tangiers Investors, LP on June 19, 2012 as part of a loan agreement for $100,000. The fair value of the warrants was $49,978. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.075
Exercise Price of Warrants	$	0.07
Term of Warrants (years)		5.00
Computed Volatility		140%
Annual Dividends		0.00%
Discount Rate		0.71%

750,000 warrants exercisable at $0.14 were issued to Tangiers Investors, LP on June 19, 2012 as part of a loan agreement for $100,000. The fair value of the warrants was $47,431. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.075
Exercise Price of Warrants	$	0.14
Term of Warrants (years)		5.00
Computed Volatility		140%
Annual Dividends		0.00%
Discount Rate		0.71%

4,000,000 warrants exercisable at $0.04 were issued to Ruby Development Company (“RDC”) on November 19, 2013 as consideration for a mortgage modification executed on that same date. The warrants have an expiration date on December 30, 2018. These warrants were valued within the derivative liability using the binomial lattice model due to tainted equity. See the fair value footnote for inputs to the binomial lattice model.

On the same date the expiration dates of the remaining 14,000,000 warrants previously issued to RDC were all reset and extended to December 30, 2018. A loss on the equity modification of $85,399 was expensed and recorded to APIC. This loss was valued using the Black-Scholes model by valuing the instrument before extending the expiration term and valuing it after the extension. The key inputs to these valuations are indicated below.

Warrants before modification:

Stock Price on Measurement Date	$	0.044

Exercise Price of Warrants	0.02 – $0.09
Term of Warrants (years)	2.12 – 3.3
Computed Volatility	144%
Annual Dividends	0.00%
Discount Rate	0.58%

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Warrants after modification:

Stock Price on Measurement Date	$ 0.044
Exercise Price of Warrants	0.02 – $0.09
Term of Warrants (years)	5.12
Computed Volatility	144%
Annual Dividends	0.00%
Discount Rate	0.58%

A summary of activity related to the Company's warrant activity for the period from December 31, 2009 through March 31, 2014 is presented below:

	Number Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2009	-	-	-
Granted	13,000,000	0.024	2.62
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2010	13,000,000	0.024	2.62
Granted	2,250,000	0.10	5.00
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2011	15,250,000	0.037	3.75(1)
Granted	4,800,000	0.10	5.00
Exercised	(500,000)	0.05	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2012	19,550,000	0.045	2.75(1)
Granted	4,000,000	0.04	5.00
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2013	23,550,000	0.045	4.75(2)
Granted	-	-	-
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at March 31, 2014	23,550,000	0.045	4.75(2)

(1) Pursuant to a January 26, 2011 amendment to the Ruby Mine Option Agreement whereby the term of the warrants issued to Ruby Development Company were extended to December 30, 2018.

(2) Primary reason for change related to a November 19, 2013 amendment to the Ruby Mine Option Agreement whereby the term of the warrants issued to Ruby Development Company were extended to December 30, 2018.

NOTE 18 SUBSEQUENT EVENTS

Subsequent to March 31, 2014, the Company issued 26,550,822 shares of common stock previously registered with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of cash received of $263,600.

Subsequent to March 31, 2014 and pursuant to a partial conversion notice received, the Company issued an aggregate of 3,000,000 shares of common stock of the Company to satisfy $76,800 of the principal and interest due on a Promissory Note dated October 2, 2012 with Tangiers Investors, LP, ("Tangiers").

Subsequent to March 31, 2014 and pursuant to four partial conversion notices received, the Company issued an aggregate of 16,583,076 shares of common stock of the Company to satisfy $150,696 of the principal and interest due on a Promissory Note dated October 1, 2013 with Typenex Co-Investment, LLC ("Typenex").

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Subsequent to March 31, 2014 and pursuant to three partial conversion notices received, the Company issued an aggregate of 5,494,215 shares of common stock of the Company to satisfy $46,847 of the principal and interest due on a Promissory Note ("the Note") dated July 11, 2012 with JMJ Financial, ("JMJ").

Subsequent to March 31, 2014 and pursuant to a conversion notice received, the Company issued 4,154,411 shares of common stock of the Company to satisfy $58,785 of the principal and interest due on a Promissory Note dated October 7, 2013 with LG Capital Funding LLC ("LG"). This Note has now been paid in full, and the debt has been extinguished.

Subsequent to March 31, 2014, the Company issued 368,217 restricted shares of common stock of the Company to Carter Terry & Company, a registered broker-dealer, for accrued commissions in connection with the Typenex Note.

Subsequent to March 31, 2014, the Company issued a $44,000 Convertible Promissory Note (the "Note") to Caesar Capital Group, LLC ("Caesar", or "the Lender"). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID"). The Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 8% per annum. Unless the Note is prepaid in cash, the Lender has the right at its election upon maturity of the Note to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Registrant. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the lowest VWAP (volume weighted average price) of the shares of Common Stock during the five (5) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Meyers and Associates, a registered broker-dealer, consisting of $4,000 in cash.

Subsequent to March 31, 2014, the Company issued a $55,000 Convertible Promissory Note (the "Note") to WHC Capital, LLC ("WHC", or "the Lender"). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID"). The Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 8% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $4,000 in cash.

Subsequent to March 31, 2014, the Company and Tangiers Investors, LP ("Tangiers") executed amendments (the "Amendments") pertaining to a $100,000 Convertible Note dated June 19, 2012, and a $750,000 Convertible Note dated October 2, 2012 (the "Notes"). Said Amendments revise and amend the conversion price of the Notes to a fixed price of $0.02, and, where applicable, deletes any provision providing for the issuance of any warrants. All other terms of the Notes as originally agreed remain in effect.

Subsequent to March 31, 2014, the Company issued a $280,000 Secured Convertible Promissory Note ("the Typenex Note", or the "Note") to Typenex Co-Investment, LLC ("Typenex"). The Note carries a $25,000 original issue discount (the "OID"), as well as $5,000 in transaction fees. The interest rate on the Note is 10% per annum. The Note has a maturity date of thirteen (13) months from the Effective Date, and has a fixed conversion price of $0.08 if converted by the holder. The Note is self-amortizing, such that it may be repaid in cash in eight (8) monthly installments of $35,000 plus accrued interest beginning 180 days from the Effective Date. In lieu of cash payments, the Company may elect to convert the note to shares at 70% of the arithmetic average of the two (2) lowest VWAPs of the shares of

Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In addition, the Company retains the option of pre-paying the Note at any time at an amount equal to 125% of the outstanding principal and the accrued and unpaid interest. The initial tranche received from this transaction was $50,000. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $4,000 in cash.

Subsequent to March 31, 2014, the Company issued two $34,000 Convertible Redeemable Notes ("the LG Note", or collectively "the Notes") to LG Capital Funding, LLC ("LG", or "the Lender"). Each LG Note carries a 10% original issue discount (the "OID"), such that the outstanding balance upon the issuance of each LG Note is $37,400. Each LG Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 5% per annum. The Notes may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. The initial tranche received from this transaction was $34,000, less $2,000 in legal fees, and a commission paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,270 in cash.

Subsequent to March 31, 2014, the Company filed a Certificate of Amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Amendment") which increased the Company's authorized shares of common stock from 250,000,000 shares to 500,000,000 shares.

NOTE 19 RESTATEMENT OF THE THREE MONTHS ENDED MARCH 31, 2013

The Company has restated its consolidated financial statements from amounts previously reported for the three month period ended March 31, 2013.

These restatements reclassify as temporary equity certain issuances of unregistered common stock issued during the time period from October 24, 2011 through March 31, 2013 and which may be deemed to be redeemable. These shares have been moved to the mezzanine portion of our balance sheet at their redemption values.

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CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2013 (Unaudited)

	Mar 31, 2013 (as reported)	Adjustments	As Restated
ASSETS			
Current Assets			
Cash	$69,994	-	$69,994
Total Current Assets	69,994	-	69,994
Other Assets			
Available For Sale Securities	22,500	-	22,500
Prepaid Expenses	55,000	-	55,000
Certificates of Deposit	172,619	-	172,619
Deferred Financing Costs, net	8,126	-	8,126
Mining Claims – Unproved	1,797,488	-	1,797,488
Property, Plant & Equipment, net of accumulated depreciation	611,152	-	611,152
Reclamation Bond – Fraser River	2,000	-	2,000
Total Other Assets	2,668,885	-	2,668,885
TOTAL ASSETS	$2,738,879	-	$2,738,879
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)			
Liabilities			
Current Liabilities			
Accounts Payable	$58,256	-	$58,256
Accrued Expenses - Related Party	933,474	-	933,474
Accrued Expenses – Ruby Mine	5,906	-	5,906
Accrued Interest	49,776	-	49,776
Convertible notes payable (net of discounts of $62,242)	238,472	-	238,472
Deferred Gain	-	-	-
Derivative Liability	671,791	-	671,791
Note Payable – Ruby Mine Mortgage	1,128,112	-	1,128,112
Total Current Liabilities	3,085,787	-	3,085,787
Long-Term Liabilities			
Convertible notes payable (net of discounts of $45,457)	415,640	-	415,640
Note Payable – Ruby Mine Mortgage	789,938	-	789,938
Asset Retirement Obligation	5,660	-	5,660
Total Long-Term Liabilities	1,211,238	-	1,211,238
Total Liabilities	$4,297,025	-	$4,297,025
Commitment & Contingencies			
Common shares subject to redemption, stated at estimated redemption value, 6,729,181 shares outstanding at March 31, 2013	$-	459,663	$459,663
Total Commitment & Contingencies			
Stockholders' Equity (Deficit)			
Preferred stock, Series I, $0.001 par value, 100 shares authorized, 100 shares issued and outstanding at March 31, 2013	-	-	-

Convertible Preferred stock, Series A, $0.001 par value, 8,000,000 shares authorized, 4,000,000 shares issued and outstanding at March 31, 2013	4,000	-	4,000
Common stock, $0.001 par value, 250,000,000 shares authorized, 100,985,130 shares issued and outstanding at March 31, 2013	107,714	(6,729)	100,985
Additional Paid-In Capital	12,398,959	(452,934)	11,946,025
Accumulated Other Comprehensive Income/(Loss)	(2,550)	-	(2,550)
Deficit Accumulated During Exploration Stage	(14,066,269)	-	(14,066,269)
Total Stockholders' Equity (Deficit)	(1,558,146)	-	(2,017,809)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	$2,738,879	-	$2,738,879

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CONSOLIDATED STATEMENT OF OPERATIONS FOR THE THREE MONTH PERIOD ENDING MARCH 31, 2013 (Unaudited)

	3 months ended March 31, 2013 (as reported)	Adjustments	As Restated
Revenues			
Revenue	$ -	-	$ -
Cost of Revenue	-	-	-
Gross Loss	-	-	-
Operating Expenses			
General & Administrative Costs	81,008	-	81,008
Mining Property Cost	46,901		46,901
Accretion Expense	76	-	76
Depreciation Expense	24,060	-	24,060
Professional Services	29,902	-	29,902
Total Operating Expenses	181,947	-	181,947
Net Operating Loss	(181,947)	-	(181,947)
Other Income (Expenses)			
Gain on Mineral Claim Sales	113,499	-	113,499
Interest Income	125	-	125
Interest Expense	(305,666)	-	(305,666)
Other Income	1,094	-	1,094
Gain (Loss) on Derivative Liability	(217,526)	-	(217,526)
Net Other Income (Expenses)	(408,474)	-	(408,474)
Net Loss	(590,421)	-	(590,421)
Accretion of Discount on Redeemable Common Stock	-	(14,212)	(14,212)
Interest on Redeemable Common Stock	-	(8,961)	(8,961)
Net Loss Attributable to Common Shareholders	(590,421)	(23,173)	(613,594)
Unrealized Gain on Available for Sale Securities	9,950	-	9,950
Total Comprehensive Loss	(580,471)	(23,173)	(603,644)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Basic)	104,488,352		104,488,352
Basic Net Loss per Share	$ (0.01)		$ (0.01)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Diluted)	104,488,352		104,488,352
Diluted Net Loss per Share	$ (0.01)		$ (0.01)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
North Bay Resources Inc.
(An Exploration Stage Company)

We have audited the accompanying consolidated balance sheets of North Bay Resources Inc. (an exploration stage company) as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended, and for the period from June 18, 2004 (inception) through December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of North Bay Resources, Inc. as of December 31, 2013 and 2012, and the results of its operations, changes in stockholders' equity (deficit) and cash flows for the periods described above in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has accumulated losses to date, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 20 to the consolidated financial statements, the 2012 consolidated financial statements have been restated to correct errors in the consolidated financial statements.

/s/ M&K CPAS, PLLC
Houston, Texas
March 17, 2014

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND DECEMBER 31, 2012 (RESTATED)

	Dec 31, 2013	Dec 31, 2012 (restated)
ASSETS		
Current Assets		
Cash	$ 133,873	$ 42,008
Total Current Assets	133,873	42,008
Other Assets		
Certificates of Deposit	172,880	172,499
Prepaid Expenses	57,373	-
Deferred Financing Costs, net	22,966	14,471
Mining Claims – Unproved	1,797,488	1,797,488
Property, Plant & Equipment, net of accumulated depreciation	608,038	635,212
Available For Sale Securities	22,500	12,550
Reclamation Bond – Fraser River	5,000	2,000
Total Other Assets	2,686,245	2,634,220
TOTAL ASSETS	$ 2,820,118	$ 2,676,228
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities		
Current Liabilities		
Accounts Payable	$ 41,611	$ 56,617
Accrued Expenses - Related Party	820,474	884,474
Accrued Expenses – Ruby Mine	-	12,250
Accrued Interest	101,366	41,363
Convertible notes payable (net of discounts of $264,389 and $166,307, respectively)	836,858	608,193
Advance Gold Sales (net of discounts of $4,289 and $0, respectively)	195,711	-
Deferred Gain	-	9,835
Derivative Liabilities – Convertible Debt	696,648	496,827
Derivative Liabilities – Advances on Gold	22,223	-
Note Payable – Ruby Mine Mortgage	627,101	1,774,822
Note Payable - Equipment	41,687	-
Total Current Liabilities	3,383,679	3,884,381
Long-Term Liabilities		
Note Payable – Ruby Mine Mortgage , net of current portion	1,205,537	-
Asset Retirement Obligation	6,158	5,584
Total Long-Term Liabilities	1,211,695	5,584
Total Liabilities	$ 4,595,374	$ 3,889,965
Commitment & Contingencies		
Common shares subject to redemption, stated at estimated redemption value, 10,217,468 and 4,517,601 shares outstanding at December 31, 2013 and December	667,758	367,490

31, 2012, respectively				
Total Commitment & Contingencies	$	667,758	$	367,490
Stockholders' Equity (Deficit)				
Preferred stock, Series I, $0.001 par value, 100 shares authorized, 100 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively		-		-
Convertible Preferred stock, Series A, $0.001 par value, 8,000,000 shares authorized, 4,000,000 and 4,000,000 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively		4,000		4,000
Common stock, $0.001 par value, 250,000,000 shares authorized, 127,897,079 and 97,485,130 shares issued and outstanding at December 31, 2013 and December 31, 2012, respectively		127,898		97,485
Additional Paid-In Capital		12,962,791		11,805,636
Accumulated Other Comprehensive Income		(2,550)		(12,500)
Deficit Accumulated During Exploration Stage		(15,535,153)		(13,475,848)
Total Stockholders' Equity (Deficit)		(2,443,014)		(1,581,227)
TOTAL LIABILITIES, COMMITMENTS & CONTINGENCIES, & STOCKHOLDERS' EQUITY (DEFICIT)	$	2,820,118	$	2,676,228

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDING
DECEMBER 31, 2013 AND 2012 (RESTATED)
AND THE PERIOD FROM
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013

	12 months ended December 31, 2013	12 months ended December 31, 2012 (restated)	Since inception (June 18, 2004 to December 31, 2013)
Revenues			
Revenue	$ -	$ -	$ -
Cost of Revenue	-	-	-
Gross Profit	-	-	-
Operating Expenses			
Commissions & Consulting Fees	4,800	9,000	316,800
General & Administrative Costs	342,469	339,524	9,503,416
Mining Property Costs	847,496	591,926	2,519,847
Depreciation Expense	99,160	98,673	258,393
Impairment Expense	-	5,341	145,995
Accretion Expense	574	513	1,330
Professional Services	117,712	79,714	368,144
Total Operating Expenses	1,412,211	1,124,691	13,113,925
Net Operating Loss	(1,412,211)	(1,124,691)	(13,113,925)
Other Income (Expenses)			
Gain on Mineral Claim Sales	243,499	4,500	471,243
Other Income from Mineral Claims	-	32,500	309,649
Interest Income	543	831	2,015
Interest Expense	(754,250)	(644,773)	(1,661,209)
Gain/Loss on Derivative Liability	(52,581)	(386,833)	(439,414)
Loss on Conversion of Debt	-	-	(137,000)
Loss on Equity Modification	(85,399)	-	(85,399)
Bad Debt (Expense) / Recovery	-	982	(47,185)
Loss on Settlement	-	-	(62,095)
Other Expense	-	(2,222)	(2,222)
Other Income	1,094	-	1,094
Realized Gain (Loss) on Investment	-	-	(97,109)
Net Other Income (Expenses)	(647,094)	(995,015)	(1,747,632)
Loss From Continuing Operations	(2,059,305)	(2,119,706)	(14,861,557)
Loss From Discontinued Operations	-	-	(673,596)
Net Loss	(2,059,305)	(2,119,706)	(15,535,153)
Accretion of Discount on Redeemable Common Stock	(52,346)	(29,516)	(81,862)
Excess Cash Received Compared to Redeemable Amount of Stock	-	-	974
Interest on Redeemable Common Stock	(50,922)	(22,701)	(73,870)
Net Loss Attributable to Common Shareholders	(2,162,573)	(2,171,923)	(15,689,911)

Unrealized (Loss)/Gain on Available For Sale Securities		9,950		(12,500)	(2,550)
Total Comprehensive Loss		(2,152,623)		(2,184,423)	(15,692,461)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Basic)		114,375,322		99,799,411	
Basic Net Gain (Loss) per Share	$	(0.02)	$	(0.02)	
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Diluted)		114,375,322		99,799,411	
Diluted Net Gain (Loss) per Share	$	(0.02)	$	(0.02)	

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit
Inception 6/18/2004	-	-	-	$ -	$ -	$ -	-	$ -	$ -	$ -	$ -	$ -	$ -
Founder's Shares issued	1,200,000	-	-	1,200	-	-	320,000	320	(1,520)	-	-	-	-
Shares issued for merger	1,200,000	-	-	1,200	-	-	320,000	320	(1,520)	-	-	-	-
Common Stock issued for cash	-	-	-	-	-	-	200,000	200	4,800	-	-	-	5,000
Net loss for year	-	-	-	-	-	-	-	-	-	-	(95,587)	-	(95,587)
Balance at 12/31/2004	2,400,000	-	-	$ 2,400	$ -	$ -	840,000	$ 840	$ 1,760	$ -	$ (95,587)	$ -	$ (90,587)
Common Stock issued to convert debt	-	-	-	-	-	-	12,127	12	180,213	-	-	-	180,225
Common Stock issued for services	-	-	-	-	-	-	121,491	121	2,586,046	-	-	-	2,586,167
Common Stock issued for cash	-	-	-	-	-	-	102,643	103	517,597	-	-	-	517,700
Net loss for year	-	-	-	-	-	-	-	-	-	-	(1,816,896)	-	(1,816,896)
Balance at 12/31/2005	2,400,000	-	-	$ 2,400	$ -	$ -	1,076,261	$ 1,076	$ 3,285,616	$ -	$ (1,912,483)	$ -	$ 1,376,609

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013
(Continued)

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit
Common Stock issued to convert debt	-	-	-	-	-	-	1,202,000	1,202	2,206,398	-	-	-	2,207,600
Common Stock issued for services	-	-	-	-	-	-	1,309,000	1,309	1,543,191	-	-	-	1,544,500
Expenses paid by shareholder	-	-	-	-	-	-	-	-	164,371	-	-	-	164,371
Net loss for year	-	-	-	-	-	-	-	-	-	-	(5,504,237)	-	(5,504,237)
Balance at 12/31/2006	2,400,000	-	-	$ 2,400	$ -	$ -	3,587,261	$ 3,587	$ 7,199,576	$ -	$ (7,416,720)	$ -	$ (211,157)

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013
(Continued)

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockhold Deficit
Beneficial Conversion Features on notes payable	-	-	-	-	-	-	-	-	62,000	-	-	-	62,0
Common Stock issued to convert debt	-	-	-	-	-	-	1,350,000	1,350	120,150	-	-	-	121,5
Common Stock issued for services	-	-	-	-	-	-	10,575,000	10,575	959,425	-	-	-	970,0
Common Stock issued as interest on loan	-	-	-	-	-	-	10,000	10	1,490	-	-	-	1,5
Preferred Shares issued for services	-	-	100	-	-	-	-	-	101,000	-	-	-	101,0
Common Stock issued for conversion of preferred shares	(2,400,000)	-	-	(2,400)	-	-	1,200,000	1,200	1,200	-	-	-	
Shares bought back and retired	-	-	-	-	-	-	(200,000)	(200)	(1,800)	-	-	-	(2,0
Expenses paid by shareholder	-	-	-	-	-	-	-	-	70,623	-	-	-	70,6
Net loss for year	-	-	-	-	-	-	-	-	-	-	(1,490,871)	-	(1,490,8
	-	-	100	$ 2,400	$ -	$ -	16,522,261	$ 16,522	$ 8,513,664	$ -	$ (8,907,591)	$ -	$ (377,4

Balance at
12/31/2007

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013
(Continued)

	Preferred Stock						Common Stock						
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit
Rounding of shares due to stock split	-	-	-	-	-	-	26	-	-	-	-	-	-
Common Stock issued for services	-	-	-	-	-	-	5,500,000	5,500	224,500	-	-	-	230,000
Common Stock issued for cash	-	-	-	-	-	-	2,275,000	2,275	7,725	-	-	-	10,000
Contribution from investor	-	-	-	-	-	-	-	-	10,000	-	-	-	10,000
Mark to market AFS securities	-	-	-	-	-	-	-	-	-	-	-	22,780	22,780
Net loss for year	-	-	-	-	-	-	-	-	-	-	(328,478)	-	(328,478)
Balance at 12/31/2008	-	-	100	$ -	$ -	$ -	24,297,287	$ 24,297	$ 8,755,889	$ -	$ (9,236,069)	$ 22,780	$ (433,103)

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulate Deficit
Common Stock issued for services	-	-	-	-	-	-	2,500,000	2,500	27,250	-	
Preferred Stock issued for services	4,000,000	100,000	-	4,000	100	-	-	-	249,685	-	
Common Stock issued for cash	-	-	-	-	-	-	21,800,000	21,800	151,200	-	
Common Stock issued for deferred compensation	-	-	-	-	-	-	10,000,000	10,000	177,500	-	
Loss realized on AFS securities	-	-	-	-	-	-	-	-	-	-	
Stock payable for commitment fee on equity offering	-	-	-	-	-	-	-	-	(115,310)	115,310	
Net loss for year	-	-	-	-	-	-	-	-	-	-	(786,9
Balance at 12/31/2009	4,000,000	100,000	100	$ 4,000	$ 100	$ -	58,597,287	$ 58,597	$ 9,246,214	$ 115,310	$ (10,023,0

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumula Deficit
Common Stock issued for commitment fee on equity offering	-	-	-	-	-	-	6,589,147	6,589	108,721	(115,310)	
Common Stock issued for cash	-	-	-	-	-	-	5,000,000	5,000	45,000	-	
Discount on convertible notes from beneficial conversion features and attached warrants	-	-	-	-	-	-	-	-	107,406	-	
Common Stock issued for Ruby Mine Purchase Option	-	-	-	-	-	-	10,000,000	10,000	140,000	-	
Warrants issued for Purchase Option – Ruby Mine	-	-	-	-	-	-	-	-	149,896	-	
Net loss for year	-	-	-	-	-	-	-	-	-	-	(287,34
Balance at 12/31/2010	4,000,000	100,000	100	$ 4,000	$ 100	$ -	80,186,434	$ 80,186	$ 9,797,237	$ -	$ (10,310,39

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumula Deficit
Common Stock issued for cash	-	-	-	-	-	-	9,433,985	9,434	758,566	-	
Common Stock issued for convertible debt conversion	-	-	-	-	-	-	4,459,092	4,459	169,393	-	
Common Stock issued for services	-	-	-	-	-	-	42,857	43	2,957	-	
Common Stock issued for settlement of services	-	-	-	-	-	-	550,000	550	61,545	-	
Common Stock issued for deferred compensation	-	-	-	-	-	-	2,000,000	2,000	178,000	-	
Common Stock issued for directors compensation	-	-	-	-	-	-	111,112	111	9,889	-	
Discount on convertible notes from beneficial conversion feature	-	-	-	-	-	-	-	-	70,568	-	
Term Extension of Ruby warrants	-	-	-	-	-	-	-	-	2,519	-	
Warrants issued for Purchase Option – Ruby Mine	-	-	-	-	-	-	-	-	219,940	-	

Stock payable for warrant exercise	-	-	-	-	-	-	-	-	-	25,000	
Excess cash received compared to redeemable amount for stock	-	-	-	-	-	-	-	-	974	-	
Interest on redeemable stock	-	-	-	-	-	-	-	-	(247)	-	
Net loss for year (restated)	-	-	-	-	-	-	-	-	-	-	(1,045,7
Balance at 12/31/2011 (restated)	4,000,000	100,000	100	$ 4,000	$ 100	$ -	96,783,480	$ 96,783	$ 11,271,341	$ 25,000	$ (11,356,1

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013
(Continued)

	Preferred Stock						Common Stock				
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount	Additional Paid-In Capital	Stock Payable	Acc
Cancellation of Series G Preferred	-	(100,000)		-	(100)	-	-	-	100	-	
Common Stock issued for services	-	-	-	-	-	-	116,650	117	10,543	-	
Common Stock issued for deferred financing costs	-	-	-	-	-	-	85,000	85	5,525	-	
Common Stock issued for stock payable	-	-	-	-	-	-	500,000	500	24,500	(25,000)	
Mark to market AFS securities	-	-	-	-	-	-	-	-	-	-	
Settlement of Derivative Liability	-	-	-	-	-	-	-	-	49,795	-	
Discount on convertible notes from beneficial conversion feature and attached warrants	-	-	-	-	-	-	-	-	321,002	-	
Warrants issued for modification of payment terms on mortgage payable	-	-	-	-	-	-	-	-	175,047	-	
Accretion of discount on	-	-	-	-	-	-	-	-	(29,516)	-	

redeemable common stock											
Interest on redeemable common stock	-	-	-	-	-	-	-	-	(22,701)	-	
Net loss for period	-	-	-	-	-	-	-	-	-	-	(
Balance at 12/31/2012 (restated)	4,000,000	-	100	$ 4,000	$ -	$ -	97,485,130	$ 97,485	$ 11,805,636	$ -	$ (1
Common Stock issued for cash	-	-	-	-	-	-	13,564,152	13,564	445,736	-	
Common Stock issued for convertible debt conversion	-	-	-	-	-	-	11,229,545	11,230	272,691	-	
Common Stock issued for services	-	-	-	-	-	-	191,724	192	9,071	-	
Common Stock issued for directors compensation	-	-	-	-	-	-	277,778	278	9,722	-	
Common Stock issued for deferred compensation	-	-	-	-	-	-	5,000,000	5,000	175,000	-	
Common Stock issued for deferred financing costs	-	-	-	-	-	-	148,750	149	6,332	-	
Mark to market AFS securities	-	-	-	-	-	-	-	-	-	-	
Settlement of Derivative Liability	-	-	-	-	-	-	-	-	256,472	-	
Loss on Equity Modification	-	-	-	-	-	-	-	-	85,399	-	
Accretion of discount on redeemable common stock	-	-	-	-	-	-	-	-	(52,346)	-	
Interest on redeemable common stock	-	-	-	-	-	-	-	-	(50,922)	-	

Net loss for period	-	-	-	-	-	-	-	-	-	-	(
Balance at 12/31/2013	4,000,000	-	100	$ 4,000	$ -	$ -	127,897,079	$ 127,898	$ 12,962,791	$ -	$ (1

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING
DECEMBER 31, 2013 AND 2012 (RESTATED)
AND THE PERIOD FROM
JUNE 18, 2004 (INCEPTION) THROUGH DECEMBER 31, 2013

	12 months Ended December 31, 2013	12 months Ended December 31, 2012 (restated)	Since inception (June 18, 2004 to December 31, 2013)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	$ (2,059,305)	$ (2,119,706)	$ (15,535,153)
Adjustments to reconcile Net Loss to net cash used in operations:			
Gain on option payments received – non-cash	-	(25,050)	(135,985)
Gain on sale of claims	(183,499)	(4,500)	(366,333)
Gain on sale of claims – non-cash	(60,000)	-	(60,000)
Common Stock issued for services	9,263	10,660	5,132,940
Common Stock issued to director for services	10,000	-	20,000
Common Stock issued for mining exploration stage property	-	-	351,400
Warrants issued to modify payment terms of note	-	175,047	175,047
Preferred Stock issued for bonus	-	-	253,785
Loss on conversion of debt and deferred compensation	-	-	2,150,513
Loss on AFS securities “other than temporary”	-	-	106,985
Loss on settlement - Common Shares issued	-	-	62,095
Loss on equity modification	85,399	-	85,399
Bad debt expense	-	-	48,167
Gain realized on transfer of AFS – securities	-	-	(9,875)
Amortization of discount on debt	369,684	356,552	945,642
Amortization of deferred financing cost	34,936	15,639	50,575
Amortization of gold advances discount	17,934	-	17,934
Change in derivative liability	52,581	386,833	439,414
Common Stock issued as interest on loan	-	-	1,500
Depreciation Expense	99,160	98,673	258,393
Accretion Expense	574	513	1,330
Impairment Expense	-	5,341	145,995
Extension Expense for Ruby mortgage	160,000	-	160,000
Changes in operating assets and liabilities:			
Accounts receivable	-	982	(29,018)
Prepaid Expenses	2,627	-	12,537
Other assets	(3,381)	1,376	(2,005)
Accrued expenses – related party	116,000	100,000	1,316,593
Accrued expenses	61,270	54,149	115,419
Accounts Payable	(15,005)	50,675	35,670
Other current assets	-	-	(29,316)
Net Cash Used in Operating Activities	(1,301,762)	(892,816)	(4,280,352)

CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchase of fixed assets	(15,912)	-	(28,371)
Cash received from sales of claims	173,664	14,335	366,333
Cash paid for claims acquired	-	-	(16,311)
Cash paid for Ruby Purchase	-	-	(361,093)
Cash paid for purchase of Taber Mine Option	-	-	(4,000)
Net Cash Provided by/Used in Investing Activities	157,752	14,335	(43,442)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of redeemable common stock	197,000	201,464	488,464
Proceeds from sale of common stock	459,300	-	1,982,000
Advances - Gold	200,000	-	200,000
Cash paid for deferred financing costs	(36,950)	(24,500)	(61,450)
Contributions from related party	-	-	244,994
Warrants exercised, shares not yet issued	-	-	25,000
Debt Repayments	(229,572)	(114,363)	(447,250)
Shares re-purchased and retired	-	-	(2,000)
Borrowings on convertible debt	646,097	728,000	2,027,909
Net Cash Provided by Financing Activities	1,235,875	790,601	4,457,667
Net cash increase (decrease) for period	91,865	(87,880)	133,873
Cash at beginning of period	42,008	129,888	-
Cash at end of period	133,873	42,008	133,873
Supplementary Cash Flow Information:			
Cash Paid for Interest	97,538	55,637	177,360
Cash Paid for Taxes	-	-	-
Non-Cash Investing & Financing Activities:			
Common Stock issued for conversion of preferred shares	$ -	$ -	$ 2,400
Common Stock issued for conversion of debt and accrued salary	$ 180,000	$ -	$ 433,912
Warrants issued for purchase option - Ruby Mine	$ -	$ -	$ 369,837
Term extension of Ruby Mine warrants	$ -	$ -	$ 2,519
Stock Issued for purchase option - Ruby Mine	$ -	$ -	$ 150,000
Discount from beneficial conversion feature and warrants attached to convertible notes payable	$ -	$ 321,002	$ 177,974
Transfer of available for sale securities to relieve accrued salary	$ -	$ -	$ 12,838
Accrued salary relieved for shares issued	$ -	$ -	$ 279,999
Common and preferred shares issued as founders shares	$ -	$ -	$ 3,040
Capitalized costs for Ruby Mine purchase option transferred to fixed assets and mineral assets upon acquisition	$ -	$ -	$ 801,442
Note payable for Ruby Mine acquisition	$ -	$ -	$ 1,990,000
Liabilities assumed with Ruby Mine acquisition	$ -	$ -	$ 174,118
Revision to Asset Retirement Obligation	$ -	$ 76	$ 166,790
Common stock issued for conversion of convertible debt	$ 283,920	$ -	$ 457,772
Equipment acquired with note payable	$ 56,071	$ -	$ 56,071
Common stock issued for stock payable	$ -	$ 25,000	$ 25,000
Equity draw on redeemable common stock applied towards note principal owed	$ -	$ 25,536	$ 25,536
Common Stock issued for deferred financing costs	$ 6,481	$ 5,610	$ 12,091
Debt discount due to derivative liability	$ 403,712	$ 159,789	$ 539,919
Cancellation of preferred shares	$ -	$ 100	$ 100
Settlement of Derivative liability	$ 256,472	$ 49,795	$ 306,267
Discount on gold advance	$ 22,223	$ -	$ 22,223
Accretion of Discount on Redeemable Common Stock	$ 52,346	$ 29,516	$ 81,862

Excess Cash Received Compared to Redeemable Amount of Stock	$	-	$	-	$	974
Interest on Redeemable Common Stock	$	50,922	$	22,701	$	73,870
Unrealized loss on AFS	$	9,950	$	12,500	$	2,550

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

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL ORGANIZATION AND BUSINESS

The Company was incorporated in the State of Delaware on June 18, 2004 under the name Ultimate Jukebox, Inc. On September 4, 2004, Ultimate Jukebox, Inc. merged with NetMusic Corporation, and subsequently changed the Company name to NetMusic Entertainment Corporation. On March 10, 2006, the Company ceased digital media distribution operations, began operations as a natural resources company, and changed the Company name to Enterayon, Inc. On January 15, 2008, the Company merged with and assumed the name of its wholly-owned subsidiary, North Bay Resources Inc. As a result of the merger, Enterayon, Inc. was effectively dissolved, leaving North Bay Resources Inc. as the remaining company.

The Company's business plan is based on the Generative Business Model, which is designed to leverage our mining properties and mineral claims into near-term income streams even during the earliest stages of exploration. This is accomplished by entering into sales, joint-venture, and/or option contracts with other mining companies, for which the Company generates income through payments in cash, stock, and other consideration.

The Generative Business Model is our short term plan to leverage properties until funding is adequate to implement our long term plan. The Company's long term plan is to locate and extract gold and silver from current exploration stage properties. This will be done through utilizing joint-ventures and other funding that is available to develop properties until they reach the production stage. Once in the production stage, the Company plans on extracting gold, silver, and other profitable by-products, and selling them to smelters. The Company has not currently begun this stage of the business plan.

NOTE 2 GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated modest revenues since inception and has never paid any dividends and is unlikely to pay dividends. The Company has accumulated losses since inception equal to $15,535,153 as of December 31, 2013. These factors raise substantial doubt regarding the ability of the Company to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploration of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. The Company has had very little operating history to date. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restatements

During the second quarter of fiscal 2013, the Company discovered it had offered and sold certain shares of common stock without registration under the Securities Act of 1933 (the "Securities Act"), as amended, during the period from October 24, 2011 through April 25, 2013. Pursuant to Section 10(a)(3) of the Securities Act, by the time our prospectus had been in use for 9 months from the effective date of January 24, 2011, the balance sheet date of the

audited financial statement contained in our prospectus was more than 16 months old, and had not been refreshed to present our current financial statements within said prospectus. Our financial statements have thus been have been restated to reclassify as temporary equity certain issuances of unregistered common stock issued during the time period from October 24, 2011 through April 25, 2013 and which may be deemed to be redeemable. These shares have been moved to the mezzanine portion of our balance sheet at their redemption values. Please see Note 10 for more information.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation. There was no material effect to the consolidated financial statements as result of these reclassifications.

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Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Ruby Gold, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with a maturity of three months or less, when purchased, to be cash equivalents. There were no cash equivalents at December 31, 2013 and December 31, 2012. The Company maintains cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation up to $250,000.

Reclamation Bonds

The Company holds its reclamation bonds on the Ruby Mine in the form of one-year Certificates of Deposit that automatically rollover annually on their anniversary dates. These funds are held in reserve to guarantee the Company's Asset Retirement Obligation.

Marketable Securities

The Company accounts for its marketable securities, which are available for sale, in accordance with Financial Accounting Standards Board (“FASB”) guidance regarding accounting for certain investments in debt and equity securities, which requires that available-for-sale and trading securities be carried at fair value. Unrealized gains and losses deemed to be temporary on available-for-sale securities are reported as other comprehensive income (“OCI”) within shareholders’ deficit. Realized gains and losses and declines in value deemed to be other than temporary on available-for-sale securities are included in “(Gain) loss on short- and long-term investments” and “Other income” on our statements of operations. Trading gains and losses also are included in “(Gain) loss on short-term and long-term investments.” Fair value of the securities is based upon quoted market prices in active markets or estimated fair value when quoted market prices are not available. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis. We classify our available-for-sale securities as short- or long-term based upon management’s intent and ability to hold these investments. In addition, throughout 2009, the FASB issued various authoritative guidance and enhanced disclosures regarding fair value measurements and impairments of securities which helps in determining fair value when the volume and level of activity for the asset or liability have significantly decreased and in identifying transactions that are not orderly.

Revenue Recognition

The company has recognized no mining revenue to date. In the future mining revenue will be recognized according to the policy described below.

Revenue is recognized when the following conditions are met:

(a) persuasive evidence of an arrangement to purchase exists;
(b) the price is fixed or determinable;
(c) the product has been delivered; and
(d) collection of the sales price is reasonably assured.

Under the terms of concentrate sales contracts with third-party smelters, final prices for the gold, silver, zinc, copper and lead in the concentrate are set based on the prevailing spot market metal prices on a specified future date based on the date that the concentrate is delivered to the smelter. The Company records revenues under these contracts based on forward prices at the time of delivery, which is when transfer of legal title to concentrate passes to the third-party smelters. The terms of the contracts result in differences between the recorded estimated price at delivery and the final settlement price. These differences are adjusted through revenue at each subsequent financial statement date.

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Mineral Property Costs

Mineral property acquisition costs are capitalized upon acquisition. Mineral property exploration and improvement costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven or probable reserves, the costs incurred to develop and improve such property are capitalized. To date the Company has not established any proven or probable reserves on its mineral properties.

The Company reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the review indicates that the carrying amount of the asset may not be recoverable, the potential impairment is measured based on a projected discounted cash flow method using a discount rate that is considered to be commensurate with the risk inherent in the Company's current business model. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

Purchase Options for Mining Property

Costs associated with acquisitions related to purchase options for mining properties are capitalized when the costs are incurred in accordance with ASC 340.10. The costs are carried at the amount paid and transferred to the appropriate asset account if the option is exercised. If it is determined that the Company will not exercise the option, the option is expensed.

Deferred Gains

Deposits on pending sales of mineral claims are classified as deferred gains until the transaction has been completed. As of December 31, 2012, a deposit received of $9,835 on the pending sale of a mineral claim was recognized as a deferred gain. The Company recognized this amount to other income when the transaction was completed in 2013.

Asset Retirement Obligation

The FASB standard on accounting for asset retirement obligation requires that the fair value of the liability for asset retirement costs be recognized in an entity’s balance sheet, as both a liability and an increase in the carrying values of such assets, in the periods in which such liabilities can be reasonably estimated. The present value of the estimated future asset retirement obligation (“ARO”), as of the date of acquisition or the date at which mining commences is capitalized as part of the costs of mineral assets and recorded with an offsetting liability. The asset retirement costs are depleted over the production life of the mineral assets on a unit-of-production basis.

The ARO is recorded at fair value and accretion expense is recognized as the discounted liability is accreted to its expected settlement value. The fair value of the ARO liability is measured by using expected future cash outflows discounted at the Company’s credit adjusted risk free interest rate.

Amounts incurred to settle plugging and abandonment obligations that are either less than or greater than amounts accrued are recorded as a gain or loss in current operations. Revisions to previous estimates, such as the estimated cost to remediate and abandon a mine may require adjustments to the ARO and are capitalized as part of the costs of mineral assets.

Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are determined based on the differences between the financial reporting basis and the tax basis of the assets and liabilities, and are measured using enacted tax rates that will be in effect when the differences are expected to reverse.

The Company adopted the provisions of the FASB interpretation related to accounting for uncertainty in income taxes, which seeks to reduce the diversity in practice associated with the accounting and reporting for uncertainty in income tax positions. The Company believes it does not have any uncertain tax positions taken or expected to be taken in its income tax returns.

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Fair Value of Financial Instruments

The Company adopted the FASB standard related to fair value measurement at inception. The standard defines fair value, establishes a framework for measuring fair value and expands disclosure of fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and, accordingly, does not require any new fair value measurements. The standard clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the standard established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows.

Level 1. Observable inputs such as quoted prices in active markets;

Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company values its derivative instruments related to embedded conversion features and warrants from the issuance of convertible debentures in accordance with the Level 3 guidelines. For the twelve month period ended December 31, 2013, the following table reconciles the beginning and ending balances for financial instruments that are recognized at fair value in these consolidated financial statements. The fair value of embedded conversion features that have floating conversion features and tainted common stock equivalents (warrants and convertible debt) are estimated using a Binomial Lattice model. The key inputs to this valuation model as of December 31, 2013, were: Volatility of 158% - 165%, inherent term of instruments equal to the remaining contractual term, quoted closing stock prices on valuation dates, and various settlement scenarios and probability percentages summing to 100%.

	Balance at December 31, 2012	New Issuances(1)	Conversions	Changes in Fair Values	Balance at December 31, 2013
Level 3 – Derivative liabilities from:					
Conversion features – embedded derivative	$ 82,237	$ 336,657	$ (217,295)	$ (44,838)	$ 156,761
Conversion features – tainted equity	208,971	248,553	(39,177)	(26,661)	391,686
Warrants – tainted equity	205,619	22,616	-	(80,034)	148,201
	$ 496,827	$ 607,826	$ (256,472)	$ (151,533)	$ 696,648

(1) $204,114 was recorded as a loss on derivative at issuance. This loss is netted within Gain/Loss on Derivative Liability on the Statement of Operations.

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments. The significant unobservable input used in the fair value measurement is the estimation for probability percentages assigned to future expected settlement possibilities. A significant increase (decrease) in this distribution of percentages would result in a higher (lower) fair value measurement.

The following table presents assets and liabilities that were measured and recognized at fair value as of December 31, 2012 and the year then ended on a recurring basis:

Description	Level 1	Level 2	Level 3	Total Unrealized Loss
Available For Sale Securities	$ 12,550	$ -	$ -	$ 12,500
Totals	$ 12,550	$ -	$ -	$ 12,500

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The following table presents assets that were measured and recognized at fair value as of December 31, 2013:

Description	Level 1	Level 2	Level 3	Total Unrealized Gain
Available For Sale Securities	$ 22,500	$ -	$ -	$ 2,500
Totals	$ 22,500	$ -	$ -	$ 2,500

Description	Level 1	Level 2	Level 3	Total Unrealized Loss
Derivate Liability – Advances on Gold	$ -	$ 22,223 -	$ -	$ 22,223
Totals	$ -	$ 22,223 -	$ -	$ 22,223

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of December 31, 2013 and December 31, 2012:

	Fair Value Measurements at December 31, 2013		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 133,873	$ -	$ -
Certificates of Deposit	172,880		
Total assets	306,753	-	-
Liabilities			
Advance Gold Sales	-	195,711	-
Convertible notes	-	836,858	-
Note payable, Ruby	-	1,832,638	-
Notes payable, equipment	-	41,687	-
Total liabilities	-	2,906,894	-
	$ 306,753	$ (2,906,894)	$ -

	Fair Value Measurements at December 31, 2012		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 42,008	$ -	$ -
Certificates of Deposit	172,499		
Total assets	214,507	-	-
Liabilities			
Convertible notes	-	608,193	-
Note payable - Ruby	-	1,774,822	-
Total liabilities	-	2,383,015	-
	$ 214,507	$ (2,383,015)	$ -

The fair values of our debts are deemed to approximate book value, and are considered Level 2 inputs as defined by ASC Topic 820-10-35.

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the twelve months ended December 31, 2013 or the year ended December 31, 2012.

The Company had no other assets or liabilities valued at fair value on a recurring or non-recurring basis as of December 31, 2013 or December 31, 2012.

Stock Based Compensation

Beginning January 1, 2006, the Company adopted the FASB standard related to stock based compensation. The standard requires all share-based payments to employees (which includes non-employee Directors), including employee stock options, warrants and restricted stock, be measured at the fair value of the award and expensed over the requisite service period (generally the vesting period). The fair value of common stock options or warrants granted to employees is estimated at the date of grant using the Black-Scholes option pricing model by using the historical volatility of the Company. The calculation also takes into account the common stock fair market value at the grant date, the exercise price, the expected life of the common stock option or warrant, the dividend yield and the risk-free interest rate.

The Company from time to time may issue stock options, warrants and restricted stock to acquire goods or services from third parties. Restricted stock, options or warrants issued to other than employees or directors are recorded on the basis of their fair value, which is measured as of the date required by the Emerging Issues Task Force guidance related to accounting for equity instruments issued to non-employees. In accordance with this guidance, the options or warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying equity instrument on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance, is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. As of December 31, 2013 and December 31, 2012, no options or warrants related to compensation have been issued, and none are outstanding.

Beneficial Conversion Feature

From time to time, the Company may issue convertible notes that may have conversion prices that create an embedded beneficial conversion feature pursuant to the Emerging Issues Task Force guidance on beneficial conversion features. A beneficial conversion feature exists on the date a convertible note is issued when the fair value of the underlying common stock to which the note is convertible into is in excess of the remaining unallocated proceeds of the note after first considering the allocation of a portion of the note proceeds to the fair value of any attached equity instruments, if any related equity instruments were granted with the debt. In accordance with this guidance, the intrinsic value of the beneficial conversion feature is recorded as a debt discount with a corresponding amount to additional paid in capital. The debt discount is amortized to interest expense over the life of the note using the effective interest method.

Deferred Financing Costs

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of Convertible Note transactions. These amounts are capitalized to Deferred Financing Costs and amortized over the term of the note. Amortization is provided on a straight-line basis over the terms of the respective debt instruments to which the costs relate and is included in interest expense. The difference between the straight line and effective interest methods is immaterial due to the short term nature of the convertible notes.

Accounting for Derivative Instruments

All derivatives have been recorded on the balance sheet at fair value based on the lattice model calculation. These derivatives, including embedded derivatives in the Company's convertible notes which have floating conversion prices based on changes to the quoted price of the Company's common stock and common stock equivalents tainted as a result of the derivative, are separately valued and accounted for on the Company's balance sheet. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data

and requiring judgment and estimates.

Lattice Valuation Model

The Company valued the conversion features in their convertible notes and tainted warrants using a lattice valuation model, with the assistance of a valuation consultant. The lattice model values these instruments based on a probability weighted discounted cash flow model. The Company uses the model to develop a set of potential scenarios. Probabilities of each scenario occurring during the remaining term of the instruments are determined based on conversion prices relative to current stock prices, historic volatility, and estimates on investor behavior. These probabilities are used to create a cash flow projection over the term of the instruments and determine the probability that the projected cash flow will be achieved. A discounted weighted average cash flow for each scenario is then calculated and compared to the discounted cash flow of the instruments without the compound embedded derivative in order to determine a value for the compound embedded derivative.

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Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. The Company accounts for goodwill and intangibles under ASC Topic 350, Intangibles – Goodwill and Other, which does not permit amortization, but requires the Company to test goodwill and other indefinite-lived assets for impairment annually or whenever events or circumstances indicate impairment may exist. The Company fully impaired goodwill of $5,341 during the year ended December 31, 2012 impairment analysis.

Income/Loss Per Share of Common Stock

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for the periods presented. As of December 31, 2013 and 2012, there were 56,852,098 and 47,532,822 common stock equivalents outstanding, respectively.

The following is a reconciliation of the computation for basic and diluted EPS for the full year ended December 31, 2013 and 2012, respectively:

	December 31, 2013	December 31, 2012
Net Loss	$ (2,059,305)	$ (2,119,706)
Weighted-average common shares Outstanding (Basic)	114,375,322	99,799,411
Weighted-average common stock Equivalents	56,852,098	47,532,822
Deduction of stock Equivalents not included due to net loss	(56,852,098)	(47,532,822)
Weighted-average common shares Outstanding (Diluted)	114,375,322	99,799,411
Basic and Diluted Net Gain (Loss) per Share	$ (0.02)	$ (0.02)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The cost of property, plant and equipment is depreciated using the straight-line method over the estimated useful life of the asset - periods of approximately 18-28 years for buildings, 3-10 years for machinery and equipment and 3- 5 years for vehicles. Long-lived assets are reviewed for impairment whenever in management's judgment conditions indicate a possible loss. Such impairment tests compare estimated undiscounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset is written down to its fair value or, if fair value is not readily determinable, an estimated fair value is used based on discounted cash flows. Fully depreciated assets are retained in property, plant and equipment and accumulated depreciation accounts until they are removed from service. In case of disposals of assets, the assets and related accumulated depreciation are removed from the accounts, and the net amounts after proceeds from disposal are credited or charged to income.

Recently Issued Accounting Standards

Disclosures about Reclassification Adjustments out of Accumulated Other Comprehensive Income

In July 2013, the FASB issued ASU No. 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU No. 2013-11"). This pronouncement provides explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This pronouncement is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2013. The Company will adopt the provisions of ASU No. 2013-11 on January 1, 2014. We do not anticipate the provisions of ASU No. 2013-11 to have a material impact on to the Company's financial statements.

In February 2013, the Financial Accounting Standards Board ("FASB") issued an accounting standards update which added new disclosure requirements for items reclassified out of accumulated other comprehensive income. The update required entities to disclose additional information about reclassification adjustments, including changes in accumulated other comprehensive income balances by component and significant items reclassified out of accumulated other comprehensive income. The update became effective for us in the first quarter of 2013. This update had no material impact on our financial statements.

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Testing Indefinite-Lived Intangible Assets for Impairment

In July 2012, the FASB issued an accounting standards update which provided, subject to certain conditions, the option to perform a qualitative, rather than quantitative, assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The update became effective for us in the first quarter of 2013. This update had no material impact on our financial statements.

NOTE 4 AVAILABLE FOR SALE SECURITIES

On October 24, 2012, the Company entered into an agreement on its Willa property with Caribou King Resources Ltd. ("Caribou", or “CKR”), a Canadian issuer listed on the TSX Venture Exchange. Under the terms of Agreement, Caribou may earn up to a 100% interest in the Willa Claims by making aggregate payments to North Bay of USD $232,500 in cash and issuing 1,000,000 shares of Caribou common stock. Of the aggregate payments, $7,500 in cash and 500,000 shares are due upon receipt of regulatory acceptance of the agreement by the TSX Venture Exchange. Subsequent to TSX approval in November, 2012, and pursuant to the agreement, the Company received 500,000 shares of CKR stock. These shares were valued at $25,050 based upon the closing price of CKR stock on the date the shares were issued. As of December 31, 2012 and 2013, the market value of these shares was $12,550 and $22,500, respectively. This resulted in an unrealized loss of $12,500 for the year ended December 31, 2012, and an unrealized gain of $9,950 for the year ended December 31, 2013. We consider the unrealized net loss as temporary due to the short length of time the market price for these securities has been below its value on the acquisition date.

NOTE 5 RUBY MINE ACQUISITION

On September 27, 2010, the Company executed an option-to-purchase agreement with Ruby Development Company (“RDC”), a California partnership, for the acquisition of the Ruby Mine (the “Ruby”) in Sierra County, California. The purchase price is $2,500,000.

On June 1, 2011, the Company exercised its option to purchase the Ruby Mine and made a final option payment of $85,000 to open escrow. On July 1, 2011, escrow was closed and the acquisition of the Ruby Mine was completed. During the preceding option period and as of the closing date, the Company has made payments totaling $510,000 to RDC, consisting of $360,000 cash and 10,000,000 shares of common stock valued at $150,000. These payments were credited towards the purchase price, thereby reducing the outstanding principal due to $1,990,000. The mortgage is to be paid in full by December 30, 2015 pursuant to amendments to the agreement executed on December 12, 2012, March 28, 2013, and November 19, 2013. The seller has also been granted 10 million 5-year warrants exercisable at 2 cents, 2 million 5-year warrants exercisable at 9 cents, 2 million 5-year warrants exercisable at 10 cents, and 4 million 5-year warrants exercisable at 4 cents. Pursuant to the aforementioned amendment dated November 19, 2013, the term of all of the outstanding warrants issued to the seller has been extended to December 30, 2018.

On the transaction closing date of July 1, 2011, the Company issued a promissory note to RDC for $1,990,000 plus 3% interest per annum. The note, as amended, is due on or before December 30, 2015, and currently accrues interest at 6% per annum. As of December 31, 2013, all monthly payments have been paid, and the outstanding balance due on the note is $1,832,638.

Upon the close of the transaction and the transfer of title, as previously set forth in the purchase agreement, the Company acquired all of the real and personal property associated with the Ruby Gold Mine, all of the shares of Ruby Gold, Inc., a private California corporation, and $171,618 in reclamation bonds securing the permits at the Ruby Mine. Subsequent to the close of the transaction, Ruby Gold, Inc. became a wholly-owned subsidiary of North Bay Resources Inc. The Company has also assumed the reclamation liabilities on the Ruby Mine, for which reclamation bonds are pledged. In addition, a $2,500 liability from a pre-existing shareholder loan that was outstanding as of the

closing date has been extinguished as of the close of escrow.

All costs related to the acquisition of the property have been capitalized when incurred. All other costs have been expensed when incurred. Cash paid during the period ended December 31, 2011 and December 31, 2010 was equal to $277,006 and $82,994, respectively. Warrants issued during the periods ended December 31, 2010 and December 31, 2011 were valued at $149,896 and $219,940 respectively. Shares paid as of December 31, 2010 were valued at $150,000. $2,519 was capitalized to the purchase option during the three months ended March 31, 2011 related to the company's amendment to extend the term of the 10,000,000 warrants issued to Ruby Development Company from December 31, 2012 to December 31, 2015. The value of the extension was calculated using the Black-Scholes model. In addition, $219,940 was capitalized to the purchase option during the six months ended June 30, 2011 related to the amendment on April 22, 2011 to issue warrants granting RDC the right to purchase 2 million shares of the Company's common stock at the exercise price of ten cents ($0.10) per share. Said warrants are valid until May 1, 2016. The value of the additional warrants was calculated using the Black-Scholes model. On March 6, 2012, the Company issued warrants granting RDC the right to purchase 2 million shares of the Company's common stock until March 6, 2017 at the exercise price of nine cents ($0.09) per share, in consideration for reducing the monthly mortgage payments due in January, February, and March, 2012. The fair value of the warrants of $175,047 was expensed related to this issuance. This value was calculated via the Black-Scholes model. Pursuant to the aforementioned amendment dated November 19, 2013, the term of all of the outstanding warrants issued to the seller has been extended to December 30, 2018.

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NOTE 6 PROPERTY, PLANT, EQUIPMENT AND MINERAL CLAIM ASSETS

As of December 31, 2013 and 2012, components of property, plant, and equipment and mineral assets were as follows:

	December 31, 2013	December 31, 2012
Buildings	$ 558,885	$ 558,885
Machinery and equipment	138,820	66,834
Vehicles	281,602	281,602
Total property, plant and equipment	979,307	907,321
Less: impairment expense(2)	(124,343)	(124,343)
Less: accumulated depreciation(3)	(246,926)	(147,766)
Property, plant and equipment, net	$ 608,038	$ 635,212

	December 31, 2013	December 31, 2012
Mining claims (1)	$ 1,792,660	$ 1,792,660
Asset retirement costs	4,828	4,828
Total mineral claim assets	1,797,488	1,797,488
Less: accumulated depletion(3)	-	-
Mining claims, net	$ 1,797,488	$ 1,797,488

(1)Upon the completion of the Ruby Mine acquisition on July 1, 2011, the estimated fair value of the mineral rights acquired was fully capitalized.

(2)Following the acquisition of the Ruby Mine on July 1, 2011, an evaluation of the equipment inventory determined that some equipment was obsolete and/or otherwise not in compliance with safety regulations, resulting in an impairment deduction of $124,343.

(3)Depreciation expense totaled $99,160 and $98,673 for the years ended December 31, 2013 and 2012, respectively. Depletion expense totaled $0 and $0 for the years ended December 31, 2013 and 2012, respectively

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NOTE 7 DEBT

On July 1, 2011, upon the acquisition of the Ruby Mine, the Company issued a promissory note to Ruby Development Company (“RDC”) for $1,990,000 plus 3% interest per annum. The note, as amended, is due on or before December 30, 2015. Monthly payments are $10,000 per month during Q1, 2012, $15,000 per month during Q2, 2012, and $20,000 per month from July 1, 2013 through December 2015. Pursuant to an amendment executed on March 28, 2013, the interest rate on the note was increased to 6% as of April 1, 2013, and $160,000 was added to the principal. Pursuant to an amendment executed on November 19, 2013, mortgage payments through December 2015 are set at $20,000 due on the 1st day of each month, and an additional $40,000 due by the 20th day of each month, for aggregate monthly payments of $60,000 per month. As of December 31, 2013, the outstanding balance due on the note is $1,832,638.

On December 29, 2011, the Company entered into two agreements ("the Agreements") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received two $25,000 loans from Tangiers. As the Agreement specifies, loan proceeds will only be used towards expenses related to the Ruby Mine Project. The Agreement is structured as a $25,000 Promissory Note (the “Promissory Note”), and a $25,000 Convertible Promissory Note (the “Convertible Note”). The Promissory Note, as amended, has a maturity date of twenty four (24) months from the Effective Date, and an interest rate on the unpaid principal balance equal to 9.9% per year. The Company shall make cash payments to Tangiers every two (2) weeks beginning January 1, 2012, at a minimum of $2,500 against the principal and accrued interest until the Promissory Note has been satisfied. The Company has further authorized Tangiers to debit this amount directly from any drawdowns made on Company’s existing Equity Line of Credit (“ELOC”) with Tangiers. As further consideration, Tangiers shall be entitled to 250,000 5-year warrants to purchase 250,000 shares of our common stock at an exercise price of $0.115 per share. The value of these warrants was calculated via the Black-Scholes model and was calculated at $20,568. This value was recorded as a discount on the related note payable. The $25,000 Convertible Note is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.08 per share, which was the closing market share price on the Effective Date. Due to the conversion price being equal to the closing share price on the grand date no beneficial conversion feature resulted from this issuance. The Note accrues interest at a rate equal to 9.9% per year. The Agreement further specifies that there shall be no penalty for prepayment of either the Promissory Note or the Convertible Note. During the years ended December 31, 2013 and 2012, $0 and $20,568 of the discount was amortized, respectively, and the discount has been fully amortized as of December 31, 2013. During the years ended December 31, 2013 and 2012, the outstanding balance due on the Note is $29,970 and $27,495 respectively, which includes $4,970and $2,495 in accrued interest as of December 31, 2013 and 2012, respectively. Repayment of this note has been waived by the lender until November 15, 2014.

On February 2, 2012, the Company entered into two Convertible Promissory Note Agreements ("the Notes", or individually, the “Note”) with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received an aggregate of $100,000 ($50,000 per Note) as a loan from Tangiers. Each Note, as amended, has a term of twenty four (24) months. Each Note accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.08 per share. As further consideration, Tangiers shall be entitled to 500,000 5-year warrants exercisable at $0.13. The Notes further specify that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $78,296 on the note, and $21,704 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount was $90,324 for the twelve months ended December 31, 2012. As of December 31, 2012, the outstanding balance due on the Note was $109,032, which includes $9,032 in accrued interest. As of December 31, 2013, the outstanding balance due on the Note is $118,932, which includes $18,932 in accrued interest.

On March 15, 2012, the Company entered into two Convertible Promissory Note Agreements ("the Notes", or individually, the “Note”) with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received an aggregate of $75,000 ($37,500 per Note) as a loan from Tangiers. Each Note, as amended, has a term of twenty four (24) months. Each Note accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.09 per share. As further consideration, Tangiers shall be entitled to 500,000 5-year warrants exercisable at $0.09. The Notes further specify that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $34,896 on the note, and $40,104 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount was $63,771 and $19,012 for the twelve months ended December 31, 2012 and 2013, respectively. As of December 31, 2012, the outstanding balance due on these Notes was $80,920, which includes $5,920 in accrued interest. As of December 31, 2013, the outstanding balance due on these Notes is $88,345, which includes $13,345 in accrued interest.

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On May 16, 2012, the Company entered into a Convertible Promissory Note Agreement ("the Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received $50,000 as a loan from Tangiers. The Note, as amended, has a term of twenty four (24) months, accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.06 per share. As further consideration, Tangiers shall be entitled to 150,000 5-year warrants exercisable at $0.07. The Note further specifies that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $16,241 on the note, and $9,393 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount was $25,634 and $0 for the twelve months ended December 31, 2012 and 2013, respectively. As of December 31, 2012, the outstanding balance due on these Notes was $53,106, which includes $3,106 in accrued interest. As of December 31, 2013, the outstanding balance due on this Note is $58,818, which includes $8,818 in accrued interest.

On May 30, 2012, the Company entered into a Convertible Promissory Note Agreement ("the Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received $25,000 as a loan from Tangiers. The Note, as amended, has a term of twenty four (24) months, accrues interest at a rate equal to 9.9% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at a fixed price of $0.06 per share. As further consideration, Tangiers shall be entitled to 150,000 5-year warrants exercisable at $0.06. The Note further specifies that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $10,988 on the note, and $9,380 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount was $20,368 and $0 for the twelve months ended December 31, 2012 and 2013, respectively. As of December 31, 2012, the outstanding balance due on this Note was $26,458, which includes $1,458 in accrued interest. As of December 31, 2013, the outstanding balance due on this Note is $28,314, which includes $3,314 in accrued interest.

On June 19, 2012, the Company entered into a Convertible Promissory Note Agreement ("the Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received $100,000 as a loan from Tangiers. The Note, as amended, has a term of twenty four (24) months, accrues interest at a rate equal to 7% per year, and is convertible into common stock, in whole or in part, at any time and from time to time before maturity at the option of the holder at the lesser of 7 cents or the undiscounted VWAP price on the day prior to conversion, with a floor price of 2 cents. As further consideration, Tangiers shall be entitled to 750,000 5-year warrants exercisable at $0.07, and 750,000 5-year warrants exercisable at $0.14. The Note further specifies that there shall be no penalty for prepayment. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be $58,048 on the note, and $41,952 on the warrants. The warrants were valued using the Black-Scholes valuation model. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount was $45,349 and $37,286 for the twelve months ended December 31, 2012 and 2013, respectively. As of December 31, 2012, the outstanding balance due on this Note was $103,740, which includes $3,740 in accrued interest. As of December 31, 2013, the outstanding balance due on this Note is $110,740, which includes $10,740 in accrued interest.

On July 11, 2012, the Company issued a $550,000 Promissory Note ("the Note") to JMJ Financial, ("JMJ", or "the Lender"). The Principal Sum due to the Lender shall be prorated based on the consideration actually paid by the Lender, plus an approximate 10% Original Issue Discount ("OID") that is prorated based on the consideration actually paid by the Lender as well as any other interest or fees, such that the Company is only required to repay the amount funded and the Company is not required to repay any unfunded portion of the Note. The Note has a maturity date of twelve (12) months from the Effective Date. If the Note is repaid within ninety (90) days of the Effective Date, the

interest rate shall be zero percent (0%). Should the Note still be outstanding after 90 days, a one-time 5% interest rate will be applied. In addition, the Lender has the right, at any time 90 days after the Effective Date, at its election, to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Conversion Price is the lesser of $0.10 or 70% of the average of the two lowest closing prices in the 25 trading days previous to the conversion. The consideration received as of December 31, 2012 is $115,000. Due to the floating conversion price this note had an embedded derivative. The debt discount resulting from the derivative was valued on the date of grant to be $111,517 on the note. This value was recorded as a discount on debt and offset to derivative liability. In addition there was a $11,500 discount as a result of the principal owed ($126,500) exceeding the cash received ($115,000). This resulted in a total discount of $123,017. Amortization of the discount was $58,307 and $64,710 for the twelve months ended December 31, 2012 and 2013, respectively. As of December 31, 2012, the outstanding balance due on this Note is $132,825, which includes $6,325 accrued in interest. During the twelve month period ended December 31, 2013 an additional $235,000 was drawn down from this facility, plus $27,550 in OID. The debt discounts resulting from the derivatives on each draw date was valued on the date of grants to be a cumulative value of $228,713 on the notes. Amortization of the discount was $169,424 for the twelve months ended 2013. During the twelve month period ended December 31, 2013, stock conversions reduced the outstanding balance of principal and accrued interest due by $283,920. The Company issued 11,229,544 common shares with the conversions which was consistent with the note agreement and therefore no gain or loss was recognized on the conversions. As of December 31, 2013, the outstanding balance due on this Note is $122,323, which includes $3,673 of accrued interest.

On August 2, 2012, the Company issued a $100,000 Convertible Promissory Note ("the Note") to Tonaquint, Inc, ("Tonaquint", or "the Lender"). The Note carries a $10,000 original issue discount (the "OID"), as well as $3,000 in transaction fees, such that the initial Principal Sum due is $113,000. The interest rate on the Note is 8% per annum. The Note has a maturity date of nine (9) months from the Effective Date, and has a fixed conversion price of $0.06. The Note is self-amortizing, such that it may be repaid in cash in three monthly installments of $37,666 plus accrued interest beginning 180 days from the Effective Date. In lieu of cash payments, the Company may elect to convert the note to shares at 70% of the arithmetic average of the three (3) lowest VWAPs of the shares of Common Stock during the ten (10) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In addition, the Company retains the option of pre-paying the Note at any time at an amount equal to 125% of the outstanding principal and the accrued and unpaid interest. The tainted equity valuation and "OID" totaled $58,272, and $32,231 was amortized during the period ended December 31, 2012. $58,272 of the value was recorded as a discount on debt and $48,272 was added to the derivative liability. As of December 31, 2012, the outstanding balance due on this Note was $116,792 which includes $3,792 in accrued interest. As of December 31, 2013, the outstanding principal of $113,000 plus $5,358 in accrued interest has been paid in full in three cash payments totaling $118,358. Accordingly, the debt has been extinguished, and the Tonaquint Note has been retired. The debt discount was fully expensed with payoff, resulting in an amortization expense of $26,041 during the year ended December 31, 2013.

On October 2, 2012, the Company issued a $750,000 Promissory Note ("the Note") to Tangiers Investors, LP ("Tangiers", or "the Lender"). The consideration will be received by the Company in tranches of $50,000 no less than bi-weekly, by mutual consent. The Principal Sum due to the Lender shall be prorated based on the consideration actually paid by the Lender plus any accrued interest, such that the Company is only required to repay the amount funded and the Company is not required to repay any unfunded portion of the Note. The Note has a maturity date of twenty four (24) months from the Effective Date of each tranche. The Note shall accrue interest at a rate of 7% per annum on each $50,000 tranche independently from other tranches. Unless repaid in cash, the Lender shall have the right to convert all or part of the outstanding and unpaid Principal Sum and accrued interest into shares of fully paid and non-assessable shares of common stock of the Registrant. The Conversion Price shall be the undiscounted volume weighted average price (VWAP) on the day of conversion, subject to a floor price of $0.0129 per share, and a ceiling price of the undiscounted VWAP on the date prior to each tranche received by the Registrant. In addition, upon conversion, 125,000 5-year warrants for each $50,000 in Consideration received shall be issued, at an exercise price of 125% of the Conversion Price of each tranche, as applicable. There is no penalty for prepayment, with prepayment subject to the consent of the Lender. As of December 31, 2013, the Company has drawn $396,098 from this facility. As of December 31, 2012, the outstanding balance due on this Note was $161,059 which includes $1,059 in accrued interest. As of December 31, 2013, the outstanding balance due on this Note is $419,674 which includes $23,577 in accrued interest.

On September 26, 2013, the Company acquired a Case 580SM Backhoe for the purchase price of $56,071. This purchase was financed as a 36 month note with CNH Capital America LLC at an interest rate of 8.49%. A $10,000 initial payment was made on October 1, 2013, with 36 payments scheduled at $1,462 per month. As of December 31, 2013, the principal balance due on this note was $41,687 plus $1,114 in accrued interest.

On October 1, 2013, the Company issued a $280,000 Secured Convertible Promissory Note ("the Typenex Note", or the "Note") to Typenex Co-Investment, LLC ("Typenex"). The Note carries a $25,000 original issue discount (the "OID"), as well as $5,000 in transaction fees. The interest rate on the Note is 10% per annum. The Note has a maturity date of thirteen (13) months from the Effective Date, and has a fixed conversion price of $0.08 if converted by the holder. The Note is self-amortizing, such that it may be repaid in cash in eight (8) monthly installments of $35,000 plus accrued interest beginning 180 days from the Effective Date. In lieu of cash payments, the Company may elect to convert the note to shares at 70% of the arithmetic average of the two (2) lowest VWAPs of the shares of Common Stock during the twenty (20) consecutive Trading Day period immediately preceding the date of such conversion. No

conversion can occur prior to 180 days from the Effective Date. In addition, the Company retains the option of pre-paying the Note at any time at an amount equal to 125% of the outstanding principal and the accrued and unpaid interest. The initial tranche received from this transaction was $125,000. The debt discount due to the tainted equity valuation and “OID” was $125,000 and $30,000, respectively. Amortization on the debt discount of $155,000 was $35,619 during the year ended December 31, 2013. As of December 31, 2013, the outstanding balance due on this Note is $158,864 which includes $3,864 in accrued interest.

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On October 7, 2013, the Company issued a $56,500 Promissory Note ("the LG Note", or the "Note") to LG Capital Funding LLC ("LG", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,500 in transaction fees payable to the Lender. The Note has a maturity date of nine (9) months from the Effective Date. If the Note is repaid within ninety (90) days of the Effective Date, the interest rate shall be zero percent (0%). Should the Note still be outstanding after 90 days, a one-time 5% interest rate will be applied. Unless the Note is prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Registrant. The Conversion Price is the lesser of $0.10 or 70% of the average of the two lowest closing prices in the 25 trading days previous to the conversion. The consideration received as of December 31, 2013 is $50,000. Due to the floating conversion price this note had an embedded derivative. The debt discount resulting from the derivative was valued on the date of grant to be $55,758 on the note. This value was recorded as a discount on debt and offset to derivative liability. In addition there was a $6,500 discount as a result of the principal owed ($56,500) exceeding the cash received ($50,000). This resulted in a total discount limited to the Note principal of $56,500. Amortization of the discount was $17,592 for the twelve months ended December 31, 2013. As of December 31, 2013, the outstanding balance due on this Note is $56,500.

The following table summarizes all of the Convertible Notes outstanding as of December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
Mortgage payable – Ruby Mine	$ 1,832,638	$ 1,774,822
Secured note payable with annual interest rate of 8%	41,687	-
Discount on note payable	-	-
Net note payable	1,874,325	1,774,822
Convertible notes:		
Secured convertible notes payable with annual interest rate of 10%	155,000	-
Unsecured convertible notes payable with annual interest rate of 9.9%	275,000	275,000
Unsecured convertible notes payable with annual interest rate of 8%	-	113,000
Unsecured convertible notes payable with annual interest rate of 7%	496,097	260,000
Unsecured convertible notes payable with annual interest rate of 5%	175,050	126,500
Discount on debt from derivative valuation	(264,389)	(166,307)
Total convertible notes	836,858	608,193
Total Debt	$ 2,711,183	$ 2,383,015

NOTE 8 DEFERRED FINANCING COSTS

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of Convertible Note transactions. Deferred financing costs as of December 31, 2013 was $22,966 net of accumulated amortization $50,575. Deferred financing costs as of December 31, 2012 was $14,471 net of accumulated amortization $15,639. Amortization expense for deferred financing costs for the years ended December 31, 2013 and 2012 was $34,936 and $15,639, respectively.

These costs include commissions paid to Carter Terry & Company, a registered broker-dealer, consisting of $36,891 in cash ($17,500 in 2013 and $19,391 in 2012) and 233,750 (148,750 in 2013 and 85,000 in 2012) restricted Rule 144 shares of common stock valued at $12,091 ($6,481 in 2013 and $5,610 in 2012) on the dates of issuance. Cash payments for other deferred financing costs on other notes totaled $30,950 ($19,450 in 2013and $11,500 in 2012). These amounts were capitalized to Deferred Financing Costs and amortized over the term of the note. Amortization is provided on a straight-line basis over the terms of the respective debt instruments to which the costs relate and is included in interest expense. The difference between the straight line and effective interest methods is immaterial due to the short term nature of the convertible notes.

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NOTE 9 DERIVATIVE LIABILITIES

On July 11, 2012, the Company borrowed $100,000 requiring principal repayment of $110,000 convertible at the lesser of $0.10 or the average of the two lowest closing prices in the 25 trading days prior to conversion. This note payable contained an embedded derivative liability due to the conversion feature not being considered fixed or determinable. The related derivative liability was valued at issuance and the fair value of $98,366 was recorded as a derivative liability and debit to debt discount.

In addition to this convertible note all other debt and equity instruments (except for preferred stock) convertible to common stock at the discretion of the holder were considered as a part of the derivative liability due to the tainted equity environment. As of July 11, 2012, these tainted instruments consisted of convertible debt outstanding of $375,000 and 20,050,000 warrants. These instruments were valued when they became tainted on July 11, 2012. The fair value of the conversion features on the convertible debt of $83,358 was added to the derivative liability and recorded as a part of the loss on the derivative for the period. The fair value of the warrants was also added to the derivative liability and recorded as a loss on the derivative liability. During the remainder of 2012, the Company issued additional convertible notes totaling $273,000 which were considered tainted upon issuance. The related derivative liability and debt discount recorded was valued at inception and equal to $48,272. All instruments with embedded derivative liabilities or included in the derivative liability due to the tainted equity environment were re-valued at December 31, 2012 with all changes flowing through the gain/loss on derivative. The derivative liability related to convertible debt was valued at $291,208, and the derivative liability related to warrants was $205,619 as of December 31, 2012.

Prior to December 31, 2012 the Company issued 500,000 shares of common stock for warrants exercised were valued as a part of the tainted equity portion of the derivative liability. The related derivative was marked to market on the settlement according to the lattice valuation and relieved to additional paid in capital for $49,795.

During the year ended December 31, 2013, the Company issued additional convertible notes totaling $692,797, which were considered tainted upon issuance. The related derivative liability and debt discount recorded was valued at inception and equal to $585,210; In addition, the Company retired $253,336 in debt and accrued interest through cash payments and stock conversions, which resulted in a settlement of derivative liabilities to additional paid in capital of $386,536. All instruments with embedded derivative liabilities or included in the derivative liability due to the tainted equity environment were re-valued at December 31, 2013, with all changes flowing through the gain/loss on derivative for a total gain on derivative of $151,533 for the year ended December 31, 2013. The derivative liability related to convertible debt was valued at $548,447, and the derivative liability related to warrants was $148,201 as of December 31, 2013. This includes 4 million new warrants granted in FY 2013 that were valued and included in the derivative.

The following shows the changes in the derivative liability measured on a recurring basis for the year ended December 31, 2013.

Derivative Liability at December 31, 2012	$ 496,827
Gain on Derivative Liability	(151,533)
Settlement to APIC from Conversion	(256,472)
Additions to Liability for Convertible Debt recorded as debt discount	403,712
Additions to Liability for Convertible Debt expensed due to value of derivative exceeding debt	204,114
Derivative Liability at December 31, 2013	$ 696,648

The following tabular presentation reflects the components of derivative financial instruments on the Company's balance sheet at December 31, 2013 and December 31, 2012:

Derivative Liabilities:	December 31, 2013	December 31, 2012
Embedded derivative liability in convertible debt	$ 156,761	$ 82,237
Derivative liability due to tainted equity – convertible debt	391,686	208,971
Derivative liability due to tainted equity – warrants	148,201	205,619
Total Derivative Liability	$ 696,648	$ 496,827

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NOTE 10 COMMITMENTS AND CONTINGENCIES

During the second quarter of fiscal 2013, the Company discovered it had offered and sold certain shares of common stock without registration under the Securities Act of 1933 (the "Securities Act"), as amended, during the period from October 24, 2011 through April 25, 2013. Pursuant to Section 10(a)(3) of the Securities Act, by the time our prospectus had been in use for 9 months from the effective date of January 24, 2011, the balance sheet date of the audited financial statement contained in our prospectus was more than 16 months old, and had not been refreshed to present our current financial statements within said prospectus. This inadvertent technical failure to update our prospectus according to Section 10(a)(3) of the Securities Act may have caused our prospectus to no longer be effective as of October 24, 2011. As a result, purchasers of these securities may have the right to rescind their purchases for an amount equal to the purchase price paid for the securities, plus interest from the date of purchase, limited to the unregistered shares purchased from the original seller and still held by the original purchaser. The federal Securities Act requires that any claim for rescission be brought within one year of reporting the violation. The time periods within which claims for rescission must be brought under state securities laws vary and may be two years or more from the transaction date. As of the date of this report, approximately 10 million shares of our outstanding common stock are subject to possible rescission. The maximum potential liability as of December 31, 2013 and December 31, 2012 was $667,758 and $367,490, respectively. These amounts include interest at 10% per annum from the date of the respective purchases. Due to the shares being redeemable by the holder since their inception, the shares are required to be classified outside of permanent equity on the balance sheet. Since redemption is uncertain and outside of the Company's control the shares are classified within the mezzanine section of the balance sheet at their respective redemption values. Any differences between the cash received and the redemption value was recorded to additional paid in capital. Interest of 10% is being accrued on the values and is recorded through additional paid in capital consistent with the appropriate accounting guidance covering the accounting treatment of mezzanine instruments.

The following shows the changes in the redeemable common stock from October 24, 2011 through December 31, 2013.

Cash received for 880,982 shares issued after October 24, 2011	$	89,000
Mark redeemable common stock down to the redeemable amount		(974)
Interest on redeemable common stock		247
Redeemable common stock value at December 31, 2011	$	88,273
Cash and note relief received for 3,636,619 shares issued		227,000
Mark redeemable common stock up to the redeemable amount		29,516
Interest on redeemable common stock		22,701
Redeemable common stock value at December 31, 2012	$	367,490
Cash received for 5,699,885 shares issued		197,000
Mark redeemable common stock up to the redeemable amount		52,346
Interest on redeemable common stock		50,922
Redeemable common stock value at December 31, 2013	$	667,758

As of December 31, 2013 and December 31, 2012, respectively, the Company does not have any outside commitments, and is not currently leasing any office space. Office space is provided as part of a management agreement with The PAN Network, a private business management and consulting company wholly-owned by the Company's Chief Executive Officer (see Note 15 - Related Party Transactions). The agreement is renewable annually at the discretion of both parties. As a result there are no future payments for our lease beyond the current year contract.

The Company is not and has never been involved in any litigation of any nature, and the Company is not aware of any pending or threatened litigation.

EB-5

On July 28, 2010, the Company executed an agreement with ACG Consulting, LLC ("ACG") intended to establish a new economic Regional Center ("RC") under the federal EB-5 program (the "EB-5 Program") that will encompass all of Northern California's Gold Country. Once established, the Regional Center is expected to provide full funding for the Company's Ruby Mine Project in Sierra County, California. Terms of the agreement specify that upon filing an application for a new Regional Center with USCIS, North Bay shall pay ACG its share of the startup expenses, which as of December 31, 2011 were $0. During Q1, 2011, the Company agreed to reimburse ACG $37,216 in expenses incurred to prepare and file EB-5 applications with USCIS. As of March 31, 2011, $15,000 of this amount had been paid, and $22,216 remained outstanding. As of December 31, 2011, $0 remains outstanding and this account has been paid in full. No shares of Company stock have been or will be issued in connection with this agreement.

The agreement also provides that North Bay will own 49% of the Regional Center, and ACG will own 51%. ACG and North Bay, working together through the Regional Center, will seek to raise up to $7.5M in EB-5 funding for North Bay's Ruby Mine Project, subject to USCIS approval. ACG will also be an equity partner in each project North Bay may bring into the Regional Center, the amount of which will vary on a deal by deal basis based on the amount of consulting services ACG actually provides. At the present time, no projects other than mining are being considered, and the industry focus for the Regional Center is expected to be limited to mining initially.

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Effective October 14, 2010, the Company, together with ACG, entered into a Memorandum of Understanding ("MOU") with Northern California Regional Center, LLC ("NCRC"), whereby NCRC has agreed to expand its scope to include mining projects in the counties of Sierra and Nevada in Northern California, and together with ACG has agreed to sponsor North Bay's application to secure $7.5 million for the Ruby Gold project in Sierra County, California, through the EB-5 Program. NCRC was approved on April 22, 2010 by the United States Citizenship and Immigration Services ("USCIS") as a designated EB-5 Regional Center, and is currently approved to sponsor qualifying investments in such capacity within the counties of Colusa; Butte; Glenn; Sacramento; San Joaquin; Shasta; Sutter; Tehama; Yuba; and Yolo in the State of California (the "Regional Center's Geographic Area"). Pursuant to its regional center designation, NCRC may sponsor qualifying investments in certain industry economic sectors that do not currently include mining. The agreement with North Bay and ACG calls for NCRC to seek USCIS approval for an expansion of NCRC's Regional Center Geographic Area (the "Expansion") to include Sierra County, where the Ruby Mine is located, and for approval to include mining within its designated industry sectors (the "Mining Designation"). These applications have been filed with USCIS, and are currently being reviewed. Upon approval of the Expansion and Mining Designation by USCIS, NCRC will then be permitted to sponsor qualified investments in North Bay's Ruby Gold project under the EB-5 Program. Under the terms of the agreement, NCRC will receive a $5,000 fee for each investor whose minimum $500,000 investment is approved by USCIS. In addition, upon the Ruby Gold project receiving the aggregate sum of $7,500,000 through the EB-5 Program, NCRC shall be entitled to an undivided one and one half percent (1.5%) interest in the Ruby Gold project. No shares of Company stock have been or will be issued in connection with this agreement, and the entire EB-5 funding is expected to be non-dilutive to shareholders.

On July 19, 2011, the NCRC Expansion Amendment, which includes the Mining Designation and pre-approval of the Ruby Gold project as a qualified EB-5 project, was formally approved by USCIS. As of the date of this report, the EB-5 funding is still pending and is considered unlikely to be completed.

NOTE 11 STOCK SPLITS

On February 18, 2005, the Company effected a 4 for 1 forward stock split of our common shares. On March 12, 2006, and on February 7, 2008, the Company effected 1 for 10 reverse stock splits. All information presented herein has been retrospectively adjusted to reflect these stock splits as they took place as of the earliest period presented.

NOTE 12 INCOME TAXES

As of December 31, 2013 and 2012, the Company had net operating loss carry-forwards totaling approximately $4,605,214 and $3,129,410, respectively, that begin to expire in 2025. The carry-forward losses and the related deferred tax benefit are significantly limited by the provisions of Internal Revenue Code Section 382. The Company's taxable losses and temporary differences created a deferred tax asset before valuation allowances of approximately $1,631,626 and $1,165,226 at December 31, 2013 and 2012, respectively. Due to the Company determining that it will not likely realize the deferred tax asset, a full valuation allowance has been taken to reduce the deferred tax asset to zero as of December 31, 2013 and 2012, respectively.

In 2013 and 2012, the primary difference between financial statement reporting and taxable income (loss) was expenses not deductible for tax purposes including non-cash share based payments issued for services, amortization of discounts on debt, and gains from non-cash exchanges of $438,392 and $929,020, respectively. Temporary differences between financial statement reporting loss and taxable loss were due to differences in timing of recognition for expenses related to deferred compensation and depreciation of fixed assets.

The deferred tax assets as of December 31, 2013 and 2012 are as follows:

	2013	2012

Deferred Tax Asset:				
Net Operating Loss Carryforwards	$	3,129,410	$	2,138,602
Current Year Net Operating Loss/(Gain)		1,475,804		990,808
Total Operating Loss Carryforward		4,605,214		3,129,410
Enacted Future Tax Rate		35%		35%
Deferred Tax Asset for NOL		1,611,825		1,095,294
Deferred Tax Asset for Temporary Differences Between Book and Tax Income		19,801		69,932
Gross Deferred Tax Asset		1,631,626		1,165,226
Valuation Allowance		(1,631,626)		(1,165,226)
Net Deferred Tax Asset	$	-	$	-

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NOTE 13 DEFERRED COMPENSATION/NQDC

The Company has adopted an unfunded Non-Qualified Deferred Compensation (NQDC) plan to compensate our Chief Executive Officer. Under this plan, the Company is not required to reserve funds for compensation, and is only obligated to pay compensation when and if funds are available. Any amounts due but unpaid automatically accrue to deferred compensation. The plan has the option to be renewed annually at the discretion of the Company. While unfunded and non-recourse, for compliance with GAAP this is disclosed as an accrued expense on the balance sheet. On April 28, 2011, the Company issued two million (2,000,000) shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of issuance. On December 9, 2013, the Company issued five million (5,000,000) shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of issuance, which was equal to the deferred compensation relieved. As of December 31, 2013 and December 31, 2012, the outstanding balance of the NQDC plan is $820,474 and $884,474, respectively.

In 2007, 2008, and 2009, our Chief Executive Officer was awarded restricted stock bonuses for deferring accrued salary. The value of common shares were based on the market closing price on the day of issuance, and the value of preferred shares were valued via a valuation model generated by an independent valuation expert, as follows:

Date	Type of Stock	Number of Shares	Value
2/12/2007	Preferred	100	$ 101,000
2/9/2007	Common	250,000	$ 31,250
12/21/2007	Common	10,000,000	$ 900,000
12/16/2008	Common	2,500,000	$ 50,000
8/11/2009	Preferred	4,100,000	$ 253,785

NOTE 14 ASSET RETIREMENT OBLIGATIONS

Provisions for site closure and reclamation costs are based principally on legal and regulatory requirements established by various government agencies, principally Sierra County, California, the US Forest Service, and the California Dept. of Conservation Office of Mine Reclamation (OMR). Under current regulations, the Company is required to meet performance standards to minimize the environmental impact from its operations and to perform site restoration and other closure activities at its mining sites. The exact nature of environmental remediation requirements that may be encountered in the future, if any, cannot be predicted with certainty, because environmental requirements currently established by government agencies may change.

The following table illustrates the inputs used to calculate the current Asset Retirement Obligation as of December 31, 2013 and December 31, 2012.

Cost estimate for reclamation work at today's cost	$ 172,914
Estimated life of mine (years)	50
Risk adjusted rate (borrowing rate)	9.9%
Estimated inflation rate	2.2%

	Asset Retirement Obligation

Asset retirement obligation at 12/31/12	$	5,584
Accretion Expense		574
Asset retirement obligation at 12/31/13	$	6,158

NOTE 15 RELATED PARTY TRANSACTIONS

In August 2009, the Board of Directors approved and the Company executed a management agreement with The PAN Network ("PAN"), a private business management and consulting company wholly-owned by the Company's Chief Executive Officer. The agreement is in consideration of $18,000 per month, and calls for PAN to provide (a) office and board room space, including reception, utilities, landline phone/fax, computers, copiers, projectors, and miscellaneous services; (b) financial services, including accounting, corporate filing and bookkeeping; (c) project and administrative services; (d) resource targeting, acquisition, development and management services; (e) marketing services, communications, marketing materials management, and writing services; (f) strategic planning, milestone management and critical path analysis; and (g) online services, including web site hosting, web site design, web site maintenance, and email services. The agreement includes Mr. Leopold's salary of $15,000 per month, which will accrue entirely to deferred compensation during any period in which the commitment remains unpaid. The term of the agreement is one year, and automatically renews annually on January 1 each year unless otherwise terminated by either party. During the year ended December 31, 2013, $100,000 of the amount due was paid in cash, and $116,000 accrued to deferred compensation. On December 9, 2013, the Company issued five million (5,000,000) shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of issuance.

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During the twelve month period ended December 31, 2012, all 100,000 outstanding shares of the Series G Convertible Preferred that were previously issued to Mr. Leopold in August 2009 were cancelled at the request of and consent of Mr. Leopold, the sole shareholder of the class. Subsequent to the cancellation of said shares, a Certificate of Elimination of the Series G Convertible Preferred Stock was filed with the Secretary of State of the State of Delaware to eliminate entirely the Series G Convertible Preferred stock designation from our Articles of Incorporation.

During the twelve month period ended December 31, 2013, director Fred Michini was paid $10,000 in director fees, which was paid as 277,778 shares of stock valued at the closing market price of our common stock on the date of issuance.

NOTE 16 ADVANCE GOLD SALES

On June 4, 2013, the Company executed a Memorandum of Understanding (the "Agreement") with a private US investor (the "Investor") for an advance sale of up to 120 ounces of specimen gold from the Ruby Mine in Sierra County, California. The price paid in advance by the Investor shall be at a ten percent (10%) discount to the then-current spot price of gold (the "Purchase Price") on the day the gold is produced and made available for shipment (the "Delivery Date"). The Investor will acquire the right to purchase the gold at their discretion. Upon signing the Agreement, the Company received an initial cash advance of $150,000 (the "Advance"), which is based on a 10% discount to the current spot price of gold, for delivery of the first 120 ounces of specimen gold produced from the Ruby Mine on or before February 1, 2014 (the "Due Date"). The Advance paid will be applied to the amount due to the Company on the Delivery Date, as determined by the then-current spot price of gold on the Delivery Date. In the event that 120 ounces of specimen gold is not available for delivery by the Due Date, the Investor will be entitled to be repaid the Advance in cash plus 10% interest equal to $165,000 total, with an option to still purchase the same amount of gold at a discount of 10% to the then-current spot price of gold when the specimen gold becomes available for delivery at a later date. As of the date of this report a $165,000 cash payment was made on the due date, and the Advance has been repaid. As per the Agreement, the investor retains the right to purchase 120 ounces of gold at a future date at a 10% discount to the then-current spot price of gold

On August 2, 2013, the Company sold an additional 40 ounces of gold under the same terms for $50,000. In the event that the 40 ounces of specimen gold is not available for delivery by the Due Date on April 2, 2014, the Investor will be entitled to be repaid the Advance in cash plus 10% interest equal to $55,000 total, with an option to still purchase the same amount of gold at a discount of 10% to the then-current spot price of gold when the specimen gold becomes available for delivery at a later date.

The related obligations have been recorded for the full $200,000 received and an additional $22,223 recorded as a derivative liability represents the additional amount owed related to the 10% discount on the gold price. This discount of $22,223 is being amortized straight line over the term of the agreement resulting in amortization of $17,934 for the year ended December 31, 2013.

NOTE 17 SHARE ISSUANCES SINCE JUNE 18, 2004 (INCEPTION)

In 2004, the Company issued an aggregate of 320,000 shares of common stock and 1,200,000 shares of preferred stock as Founders shares to the Company Founders. The preferred stock was convertible to common stock at a rate of one common share per two preferred shares. The shares were valued at their par value which was equal to $1,520.

In 2004, the Company issued an aggregate of 320,000 shares of common stock and 1,200,000 shares of preferred stock to the Company Officers and Directors upon the merger of Ultimate Jukebox, Inc. and NetMusic Corp. The preferred stock was convertible to common stock at a rate of one common share per two preferred shares. The shares were valued at their par value which was equal to $1,520.

Prior to 2008, the Company issued an aggregate of 12,005,491 shares of common stock for services rendered and exploration stage mining properties. The shares were valued at $5,100,667, based on the market price on the date of grant.

Prior to 2008, the Company issued an aggregate of 2,574,127 shares of common stock to convert debt to equity. The shares were valued at $2,510,825 based on the market price on the date of issuance. Any differences between the value of the shares issued and the debt relieved were recorded as a gain or loss on conversion.

Prior to 2008, the Company issued an aggregate of 302,643 shares of common stock in private placements. The consideration received was $522,700.

Prior to 2008, the Company purchased back and retired 200,000 shares at a net cost of $2,000.

Prior to 2008, the Company received a contribution of $164,371 from a shareholder to pay expenses for mineral claim exploration.

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Prior to 2008, the Company issued 100 shares of Series I Preferred stock to our Chief Executive Officer, Mr. Perry Leopold, as an anti-takeover measure to insure that Mr. Leopold maintains control of the Company during periods when the Company's stock may be severely undervalued and subject to hostile takeover in the open market. As specified in the Certificate of Designation filed by the Company with the Delaware Secretary of State in February 2007, "the outstanding shares of Series I Preferred Stock shall vote together with the shares of Common Stock of the Corporation as a single class and, regardless of the number of shares of Series I Preferred Stock outstanding and as long as at least one of such shares of Series I Preferred Stock is outstanding, shall represent eighty percent (80%) of all votes entitled to be voted at any annual or special meeting of shareholders of the Corporation or action by written consent of shareholders. Each outstanding share of the Series I Preferred Stock shall represent its proportionate share of the 80% which is allocated to the outstanding shares of Series I Preferred Stock." The value of the Series I Preferred shares was valued at $101,000 according to the value of the control premium from 80% of the voting rights assigned to Series I Preferred stock.

Prior to 2008, the Company converted 2,400,000 shares of Convertible Series A preferred stock to 1,200,000 shares of common stock. The shares were convertible at a ratio of one share of common stock per two shares of preferred stock.

Prior to 2008, a non-convertible note payable from a third party totaling $50,000 with a 20% interest rate, maturing thirty days from the note date, was converted into 1,250,000 shares of common stock. During the same period, a non-convertible note payable from a third party totaling $12,000 with a 10% interest rate, maturing one year from the note date, was converted into 100,000 shares of common stock. The aggregate shares were valued according to the closing market price on their respective conversion dates at $121,500.

Prior to 2008, beneficial conversion features related to convertible notes payable totaling $62,000 were recorded. The entire discount was expensed in the year ended December 31, 2007 due to the conversion of the note prior to year end.

During 2008, the Company received a contribution of $10,000 from a shareholder for mineral claim maintenance.

During 2008, the Company issued an aggregate of 5,500,000 shares of common stock for services rendered. The shares were valued at $230,000, based on the market price on the date of grant.

During 2008, the Company issued 2,275,000 shares of common stock in a private placement. The consideration received was $10,000.

During 2009, the Company issued 4,000,000 shares of Series A Preferred stock, and 100,000 shares of Series G Preferred stock to our Chief Executive Officer as a bonus for services rendered. Each share of Series A Preferred has 10 votes per share and is convertible to 5 shares of common. The Series G Preferred stock has no voting rights, and each share is convertible to 1/100 of an ounce of gold, or 20 shares of common. The conversion of the Series G Preferred stock into gold can only be exercised by the holder if the company has gold inventory at the time of conversion. The conversion value of the shares was $253,785 based on the value of the closing price of the common stock the preferred shares were convertible into on the day of issuance, plus the value of the control premium from voting rights assigned to the preferred share issuances.

During 2009, the Company issued an aggregate of 21,800,000 shares of common stock in private placements. The consideration received was $173,000.

During 2009, the Company issued an aggregate of 10,000,000 shares of common stock to a private investor to reduce the balance due of deferred compensation to the Chief Executive Officer by $100,000. The deferred compensation was assigned by the Chief Executive Officer to the private investor in lieu of cash, and the assigned liability was immediately converted to equity by the investor. The value of the shares issued according to the market price on the

date of issuance was $187,500. The difference between the value of the deferred compensation and the value of the shares issued was recorded as a loss on conversion.

During 2009, the Company issued an aggregate of 2,500,000 shares of common stock for services rendered. The shares were valued at $29,750, based on the market price on the date of grant.

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During 2009, the Company secured $5 Million in financing under an equity line of credit with Tangiers Investors, LP ("Tangiers") to fund the Company's operations and prospective mining acquisitions. North Bay has entered into a Securities Purchase Agreement with Tangiers that provides North Bay the right, but not the obligation, to draw down on the equity line of credit by selling to Tangiers shares of the Company's common stock for a total purchase price of up to $5 Million. Tangiers will pay the Company 90% of the lowest volume weighted average price of the Company's common stock during the pricing period as quoted by Bloomberg, LP on the Over-the-Counter Bulletin Board ("OTCBB"). Tangiers' obligation to purchase shares of the Company's common stock under the Securities Purchase Agreement is subject to certain conditions, including the Company obtaining an effective registration statement for shares of the Company's common stock sold under the Securities Purchase Agreement and is limited to $100,000 per 10 consecutive trading days after the advance notice is provided to Tangiers. Upon signing the Securities Purchase Agreement, the Company has agreed to issue Tangiers $85,000 in restricted stock as a one-time commitment fee. This was classified as Stock Payable at December 31, 2009 and valued at $115,310, based on the closing market price of our common stock as of October 7, 2009, the date the contract was signed. Subsequently, the Company issued 6,589,147 shares of restricted common stock on January 20, 2010 to satisfy this obligation.

During 2010, the Company issued 6,589,147 shares of restricted common stock to Tangiers Investors, LP (“Tangiers”) as a one-time commitment fee in compliance with the October 7, 2009 agreement with Tangiers. The value of these shares was recorded in 2009 as a stock payable due to the obligation existing at that time. Due to the instrument to be only settled with the issuance of shares, no gain or loss was recorded with the issuance in 2010, and the full value of the stock payable was relieved to common stock and additional paid-in capital.

During 2010, the Company issued 5,000,000 shares of common stock in a Rule 504 private placement. The consideration received was $50,000.

During 2010, the Company issued 10 million shares of common stock to Ruby Development Company as part of the initial consideration for the signing of an option-to-purchase agreement on the Ruby Mine. The market value of these shares as of the date the contract was executed was $150,000. This amount was capitalized to Other Assets due to it being a part of the Ruby Mine Purchase Option costs.

During 2011, the Company registered 19,726,822 shares of our common stock with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to an equity line of credit (“ELOC”) and Securities Purchase Agreement ("SPA") entered into with Tangiers on October 7, 2009. Pursuant to the terms of the SPA, the Company has the right, but not the obligation, to draw down on the ELOC by selling to Tangiers shares of the Company's common stock for a total purchase price of up to $5 Million. Tangiers will pay the Company 90% of the lowest volume weighted average price of the Company's common stock during the 5-day pricing period immediately following any advance notice provided to Tangiers. Advances are limited to $100,000 per 10 consecutive trading days after the advance notice is provided to Tangiers. As of December 31, 2011, the Company has issued an aggregate of 10,314,967 of these registered shares to Tangiers, in consideration of $857,000. The Company issued 880,982 shares after October 24, 2011. As noted within footnote 10, the shares issued after this date were considered unregistered and re-classified to temporary equity based on the potential cash redemption to the investor.

During 2011, the Company issued 863,681 shares of common stock to satisfy a Convertible Promissory Note Agreement dated June 17, 2010 with Tangiers pursuant to which the Company received $17,500 as a loan from Tangiers. The total amount satisfied on conversion was $18,725, consisting of $17,500 in principal plus $1,225 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company issued 1,600,467 shares of common stock to satisfy a Convertible Promissory Note Agreement dated September 27, 2010 with Tangiers pursuant to which the Company received $50,000 as a loan from

Tangiers. The total amount satisfied on conversion was $52,495, consisting of $50,000 in principal plus $2,495 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company issued 42,857 shares of common stock for geological services rendered. The shares were valued at $3,000, based on the closing market price on the date of grant.

During 2011, the Company issued an aggregate of 1,437,416 shares of common stock to a Convertible Promissory Note Agreement dated December 30, 2010 with Tangiers pursuant to which the Company received $50,000 as a loan from Tangiers. The total amount satisfied on conversion was $51,612, consisting of $50,000 in principal plus $1,612 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company issued 550,000 shares common stock as a settlement on a 2009 consulting agreement. The shares were valued at $62,095 based on the closing market price on the day of the grant. This value was recorded as a loss on settlement during 2011.

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During 2011, the Company issued 2 million shares of common stock to our Chief Executive Officer to relieve $180,000 in accrued deferred compensation. The shares were valued at the closing market price on the day of the grant, and were equal in value to the accrued salary relieved.

During 2011, the Company issued 111,112 shares common stock to Fred Michini as directors compensation of $10,000. The shares were valued at the closing market price on the day of grant.

During 2011, the Company issued an aggregate of 557,528 shares of common stock to fully satisfy and retire a Convertible Note dated January 4, 2011 with Asher Enterprises, Inc. ("Asher") pursuant to which the Company received $50,000 as a loan from Asher. The total amount satisfied on conversion was $51,020, consisting of $50,000 in principal and $1,020 in accrued interest. The note was converted according to the terms of the agreement and therefore no gain or loss was recorded on the conversion.

During 2011, the Company accepted a notice of exercise on 500,000 warrants issued to Tangiers Investors, LP on December 30, 2010 that were attached to a convertible promissory note agreement dated December 30, 2010. The exercise price was $0.05 per shares, and the Company received $25,000 upon the exercise. 500,000 shares of common stock have not yet been issued, and are accounted for as stock payable.

During 2012, the Company issued 26,650 shares of common stock for geological services rendered. The shares were valued at $4,000, based on the closing market price on the date of invoice.

During 2012, the Company cancelled all outstanding shares of the Series G Convertible Preferred Stock and filed a Certificate of Elimination of the Series G Convertible Preferred Stock with the Secretary of State of the State of Delaware to eliminate entirely the Series G Convertible Preferred stock designation from our Certificate of Incorporation. The cancellation was initiated at the request of the sole shareholder of the Series G Preferred, and $100 was recorded to additional paid in capital.

During 2012, the Company issued a $100,000 Convertible Promissory Note ("the Note") to Tonaquint, Inc, ("Tonaquint", or "the Lender"). The Note carries a $10,000 original issue discount (the "OID"), as well as $3,000 in transaction fees, such that the initial Principal Sum due is $113,000. The interest rate on the Note is 8% per annum. The Note has a maturity date of nine (9) months from the Effective Date, and has a fixed conversion price of $0.06. The Note is self-amortizing, such that it may be repaid in cash in three monthly installments of $37,666.67 plus accrued interest beginning 180 days from the Effective Date. In lieu of cash payments, the Company may elect to convert the note to shares at 70% of the arithmetic average of the three (3) lowest VWAPs of the shares of Common Stock during the ten (10) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In addition, the Company retains the option of pre-paying the Note at any time at an amount equal to 125% of the outstanding principal and the accrued and unpaid interest.

During 2012, and in connection with the above mentioned Tonaquint transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $10,000 in cash and 85,000 restricted Rule 144 shares of common stock. The shares were valued at $5,610 based on the closing market price on the date of grant. This value is being amortized over the term of the related note agreement.

During 2012, the Company issued 3,636,619 shares of common stock previously registered with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, in consideration of cash received of $227,000. Related to the consideration received, $201,464 was received in cash, and the remaining $25,536 was applied as principal and interest to retire a $25,000 note payable to Tangiers dated December 30, 2011. As noted within footnote 10, these shares were considered unregistered and

re-classified to temporary equity based on the potential cash redemption to the investor.

During 2012, the Company issued 90,000 restricted shares of common stock for services rendered. The shares were valued at $6,660, based on the closing market price on the date of grant.

During 2012, the Company issued 500,000 shares that had been previously recorded as stock payable pursuant to a notice of exercise received in 2011 on 500,000 warrants issued to Tangiers Investors, LP on December 30, 2010. The exercise price was $0.05 per shares, and the Company received $25,000 upon the exercise.

During the first half of 2013, the Company issued 5,700,049 shares of common stock to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of $197,000. As noted within footnote 10, these shares were considered unregistered and re-classified to temporary equity based on the potential cash redemption to the investor.

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During the second half of 2013, the Company issued 13,564,152 shares of common stock to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of $459,000.

During 2013, and pursuant to twelve partial conversion notices received, the Company issued an aggregate of 11,229,545 shares of common stock of the Company to satisfy $283,920 of the principal and interest due on a Promissory Note ("the Note") dated July 11, 2012 with JMJ Financial, ("JMJ"). The number of shares issued was consistent with the terms of the agreement, therefore equity was credited for the value of the debt relieved with no gain or loss recorded.

During 2013, the Company issued 57,143 shares of restricted common stock for geological services rendered in the amount of $4,000. The shares were valued on the grant date at the closing market price.

During 2013, the Company issued 94,563 shares of restricted common stock for mining safety & health services rendered in the amount of $3,782. The shares were valued on the grant date at the closing market price.

During 2013, the Company issued 40,000 shares of restricted common stock for mining services. The shares were valued at $1,480 based on the closing market price on the date of grant.

In 2013 the Company issued 5,000,000 shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by $180,000. The shares were valued at the closing market price of our common stock on the date of grant.

In 2013 the Company issued 277,778 shares of common stock to director Fred Michini for director fees earned during 2013. The shares were valued at $10,000 based on the closing market price of our common stock on the date of grant.

During 2013, in connection with the Typenex and LG note issuances, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $17,500 in cash and 148,750 restricted Rule 144 shares of common stock. The shares were valued at $6,481 based on the closing market price on the date of grant. This value is being amortized over the term of the related note agreement.

NOTE 18 WARRANTS

Ten million warrants were issued to Ruby Development Company on September 27, 2010 as a part of the purchase option agreement for the Ruby Mine. The fair value of the warrants of $149,896 was capitalized related to this issuance. On January 26, 2011, the Ruby Mine purchase option was amended, and the term of said warrants was increased from two years to 5 years, and the fair value of the warrants was increased by $2,519 to $152,415. This value was calculated via the Black-Scholes model. The key inputs for the initial valuation are shown below.

Stock Price on Measurement Date	$	0.015
Exercise Price of Warrants	$	0.02
Term of Warrants (years)		2.26
Computed Volatility		440%
Annual Dividends		0.00%
Discount Rate		0.44%

Two and a half million warrants were issued to Tangiers Investors, LP on September 27, 2010 that were attached to a convertible promissory note agreement for $50,000. The fair value of 1,500,000 of the warrants of $22,475 was recorded as a discount on the convertible note payable upon issuance. The remaining 1,000,000 warrants had a fair

value of $14,195. $9,965 was recorded as an additional discount related to these warrants based on the contingency resulting in their issuance being resolved, and the remaining undiscounted portion of the convertible note being equal to $9,965. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.015
Exercise Price of Warrants	$	0.05
Term of Warrants (years)		5.00
Computed Volatility		440%
Annual Dividends		0.00%
Discount Rate		1.31%

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Five hundred thousand warrants were issued to Tangiers Investors, LP on December 30, 2010 that were attached to a convertible promissory note agreement for $50,000. The fair value of 500,000 of the warrants of $14,195 was recorded as a discount on the convertible note payable upon issuance. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.029
Exercise Price of Warrants	$	0.05
Term of Warrants (years)		5.00
Computed Volatility		375%
Annual Dividends		0.00%
Discount Rate		2.06%

Two million warrants were issued to Ruby Development Company on April 22, 2011 as a part of an amendment to the purchase option agreement for the Ruby Mine. The fair value of the warrants of $219,940 was capitalized related to this issuance. This value was calculated via the Black-Scholes model. The key inputs for the initial valuation are shown below.

Stock Price on Measurement Date	$	0.11
Exercise Price of Warrants	$	0.10
Term of Warrants (years)		5.00
Computed Volatility		324%
Annual Dividends		0.00%
Discount Rate		2.12%

250,000 warrants were issued to Tangiers Investors, LP on December 29, 2011 that were attached to a convertible promissory note agreement for $25,000. The fair value of the warrants of $20,568 was recorded as a discount to the related debt. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.08
Exercise Price of Warrants	$	0.115
Term of Warrants (years)		5.00
Computed Volatility		158%
Annual Dividends		0.00%
Discount Rate		0.83%

500,000 warrants were issued to Tangiers Investors, LP on February 2, 2012 as part of a loan agreement for $100,000. The fair value of the warrants was $52,779. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.12
Exercise Price of Warrants	$	0.13
Term of Warrants (years)		5.00
Computed Volatility		157%
Annual Dividends		0.00%
Discount Rate		1.04%

Two million warrants were issued to Ruby Development Company on March 6, 2012 in consideration for reducing monthly mortgage payments for the Ruby Mine. The fair value of the warrants of $175,047 was expensed related to this issuance. This value was calculated via the Black-Scholes model. The key inputs for the initial valuation are shown below.

Stock Price on Measurement Date	$	0.095
Exercise Price of Warrants	$	0.09
Term of Warrants (years)		5.00
Computed Volatility		155%
Annual Dividends		0.00%
Discount Rate		0.83%

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500,000 warrants were issued to Tangiers Investors, LP on March 15, 2012 as part of a loan agreement for $75,000. The fair value of the warrants was $45,268. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.098
Exercise Price of Warrants	$	0.09
Term of Warrants (years)		5.00
Computed Volatility		155%
Annual Dividends		0.00%
Discount Rate		1.33%

150,000 warrants were issued to Tangiers Investors, LP on May 16, 2012 as part of a loan agreement for $50,000. The fair value of the warrants was $9,411. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.07
Exercise Price of Warrants	$	0.07
Term of Warrants (years)		5.00
Computed Volatility		145%
Annual Dividends		0.00%
Discount Rate		0.75%

150,000 warrants were issued to Tangiers Investors, LP on May 30, 2012 as part of a loan agreement for $25,000. The fair value of the warrants was $9,421. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.07
Exercise Price of Warrants	$	0.06
Term of Warrants (years)		5.00
Computed Volatility		142%
Annual Dividends		0.00%
Discount Rate		0.69%

750,000 warrants exercisable at $0.07 were issued to Tangiers Investors, LP on June 19, 2012 as part of a loan agreement for $100,000. The fair value of the warrants was $49,978. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.075
Exercise Price of Warrants	$	0.07
Term of Warrants (years)		5.00
Computed Volatility		140%
Annual Dividends		0.00%
Discount Rate		0.71%

750,000 warrants exercisable at $0.14 were issued to Tangiers Investors, LP on June 19, 2012 as part of a loan agreement for $100,000. The fair value of the warrants was $47,431. The total of the warrants and beneficial conversion feature was recorded as a discount on debt up to the principal amount owed. This value was calculated via the Black-Scholes model. The key inputs for the calculation are shown below.

Stock Price on Measurement Date	$	0.075
Exercise Price of Warrants	$	0.14
Term of Warrants (years)		5.00
Computed Volatility		140%
Annual Dividends		0.00%
Discount Rate		0.71%

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4,000,000 warrants exercisable at $0.04 were issued to Ruby Development Company ("RDC") on November 19, 2013 as consideration for a mortgage modification executed on that same date. The warrants have an expiration date on December 30, 2018. These warrants were valued within the derivative liability using the binomial lattice model due to tainted equity. See the fair value footnote for inputs to the binomial lattice model.

On the same date the expiration dates of the remaining 14,000,000 warrants previously issued to RDC were all reset and extended to December 30, 2018. A loss on the equity modification of $85,399 was expensed and recorded to APIC. This loss was valued using the Black-Scholes model by valuing the instrument before extending the expiration term and valuing it after the extension. The key inputs to these valuations are indicated below.

Warrants before modification:

Stock Price on Measurement Date	$ 0.044
Exercise Price of Warrants	$ 0.02 – 0.09
Term of Warrants (years)	2.12 – 3.3
Computed Volatility	144%
Annual Dividends	0.00%
Discount Rate	0.58%

Warrants after modification:

Stock Price on Measurement Date	$ 0.044
Exercise Price of Warrants	$ 0.02 – 0.09
Term of Warrants (years)	5.12
Computed Volatility	144%
Annual Dividends	0.00%
Discount Rate	0.58%

A summary of activity related to the Company's warrant activity for the period from December 31, 2009 through December 31, 2013 is presented below:

	Number Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2009	-	-	-
Granted	13,000,000	0.024	2.62
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2010	13,000,000	0.024	2.62
Granted	2,250,000	0.10	5.00
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2011	15,250,000	0.037	3.75(1)

Granted	4,800,000	0.10	5.00
Exercised	(500,000)	0.05	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2012	19,550,000	0.045	2.75(1)
Granted	4,000,000	0.04	5.00
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at December 31, 2013	23,550,000	0.045	4.75(2)

(1) Pursuant to a January 26, 2011 amendment to the Ruby Mine Option Agreement whereby the term of the warrants issued to Ruby Development Company were extended to December 30, 2018.

(2) Primary reason for change related to a November 19, 2013 amendment to the Ruby Mine Option Agreement whereby the term of the warrants issued to Ruby Development Company were extended to December 30, 2018.

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NOTE 19 SUBSEQUENT EVENTS

Subsequent to December 31, 2013, the Company issued 11,801,616 shares of common stock previously registered with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of $301,500.

Subsequent to December 31, 2013 and pursuant to three partial conversion notices received, the Company issued an aggregate of 2,515,280 shares of common stock of the Company to satisfy $50,208 of the principal and interest due on a Promissory Note ("the Note") dated July 11, 2012 with JMJ Financial, ("JMJ").

Subsequent to December 31, 2013, the Company issued two $50,000 Convertible Redeemable Notes ("the Note", or collectively “the Notes”) to GEL Properties, LLC ("GEL", or “the Lender”). Each Note carries a 10% original issue discount (the “OID”), such that the outstanding balance upon the issuance of each Note is $55,000. Each Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 5% per annum. The Notes may be converted to shares of Common Stock of the Company at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. The initial tranche received from this transaction was $50,000, less $2,500 in legal fees, and a commission paid to Carter Terry & Company, a registered broker-dealer, consisting of $4,000 in cash.

Subsequent to December 31, 2013, the Company issued two $30,000 Convertible Redeemable Notes ("the LG Note", or collectively “the Notes”) to LG Capital Funding, LLC ("LG", or “the Lender”). Each LG Note carries a 10% original issue discount (the “OID”), such that the outstanding balance upon the issuance of each LG Note is $33,000. Each LG Note has a maturity date of nine (9) months from the Effective Date, and accrues interest at 5% per annum. The Notes may be converted to shares of Common Stock of the Company at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. The initial tranche received from this transaction was $30,000, less $1,500 in legal fees, and a commission paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,400 in cash.

Subsequent to December 31, 2013, the Company issued a $35,000 Convertible Redeemable Note (the “Note”) to LG Capital Funding LLC ("LG", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,750 in transaction fees. The Note has a maturity date of nine (9) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,800 in cash.

Subsequent to December 31, 2013, the Company issued a $30,000 Convertible Redeemable Note (the “Note”) to Union Capital LLC ("Union", or “the Lender”). The Principal Sum due to the Lender includes a 10% Original Issue Discount ("OID") plus $1,500 in transaction fees. The Note has a maturity date of twelve (12) months from the Effective Date, and accrues interest at 5% per annum. Unless the Note prepaid in cash, the Lender has the right at its election to convert all or part of the outstanding and unpaid Principal Sum and accrued interest (and any other fees) into shares of

fully paid and non-assessable shares of common stock of the Company. The Note may be converted to shares of Common Stock of the Registrant at a conversion price of 70% of the arithmetic average of the two (2) lowest VWAPs (volume weighted average price) of the shares of Common Stock during the twenty-five (25) consecutive Trading Day period immediately preceding the date of such conversion. No conversion can occur prior to 180 days from the Effective Date. In connection with this transaction, a commission has been paid to Carter Terry & Company, a registered broker-dealer, consisting of $2,400 in cash.

Subsequent to December 31, 2013, the Company issued 100,000 shares of restricted common stock to William S. Watters, the new COO of our wholly-owned subsidiary, Ruby Gold, Inc., as a signing bonus. The shares were valued at $2,700 based on the closing market price on the date of grant.

NOTE 20 RESTATEMENT OF THE YEAR ENDED DECEMBER 31, 2012

The Company has restated its annual financial statements from amounts previously reported for the year ended December 31, 2012.

These restatements reclassify as temporary equity certain issuances of unregistered common stock issued during the time period from October 24, 2011 through December 31, 2012 and which may be deemed to be redeemable. These shares have been moved to the mezzanine portion of our balance sheet at their redemption values.

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CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2012

	Dec 31, 2012 As Previously Reported	Adjustments	As Restated
ASSETS			
Current Assets			
Cash	$ 42,008	-	42,008
Accounts Receivable	-		-
Total Current Assets	42,008	-	42,008
Other Assets			
Certificates of Deposit	172,499	-	172,499
Deferred Financing Costs, net	14,471	-	14,471
Goodwill	-	-	-
Mining Claims – Unproved	1,797,488	-	1,797,488
Property, Plant & Equipment, net of accumulated depreciation	635,212	-	635,212
Other Assets	-	-	-
Available For Sale Securities	12,550	-	12,550
Reclamation Bond – Fraser River	2,000	-	2,000
Total Other Assets	2,634,220	-	2,634,220
TOTAL ASSETS	$ 2,676,228	-	2,676,228
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)			
Liabilities			
Current Liabilities			
Accounts Payable	$ 56,617	-	56,617
Accrued Expenses - Related Party	884,474	-	884,474
Accrued Expenses – Ruby Mine	12,250	-	12,250
Accrued Interest	41,363	-	41,363
Convertible notes payable (net of discounts of $166,307 and $0, respectively)	608,193	-	608,193
Deferred Gain	9,835	-	9,835
Derivative Liability	496,827	-	496,827
Note Payable – Ruby Mine Mortgage	1,774,822	-	1,774,822
Note Payable (net of discounts of $0 and $20,568, respectively)	-	-	-
Total Current Liabilities	3,884,381	-	3,884,381
Long-Term Liabilities			
Asset Retirement Obligation	5,584	-	5,584
Total Long-Term Liabilities	5,584	-	5,584
Total Liabilities	$ 3,889,965	-	3,889,965
Commitment & Contingencies			
Common shares subject to redemption, stated at estimated redemption value, 4,517,601 shares outstanding at December 31, 2012	$ -	367,490	367,490
Total Commitment & Contingencies	$ -	367,490	367,490

Stockholders' Equity (Deficit)			
Preferred stock, Series I, $0.001 par value, 100 shares authorized, 100 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	-	-	
Convertible Preferred stock, Series A, $0.001 par value, 8,000,000 shares authorized, 4,000,000 and 4,000,000 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	4,000	-	4,000
Convertible Preferred stock, Series G, $0.001 par value, 0 and 1,500,000 shares authorized at December 31, 2012 and December 31, 2011, respectively, 0 and 100,000 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	-	-	-
Common stock, $0.001 par value, 250,000,000 shares authorized, 97,485,130 and 96,783,480 shares issued and outstanding at December 31, 2012 and December 31, 2011, respectively	102,003	(4,518)	97,485
Additional Paid-In Capital	12,168,608	(362,972)	11,805,636
Stock Payable	-	-	-
Accumulated Other Comprehensive Income	(12,500)	-	(12,500)
Deficit Accumulated During Exploration Stage	(13,475,848)	-	(13,475,848)
Total Stockholders' Equity (Deficit)	(1,213,737)	(367,490)	(1,581,227)
TOTAL LIABILITIES, COMMITMENTS & CONTINGENCIES, & STOCKHOLDERS' EQUITY (DEFICIT)	$ 2,676,228	-	2,676,228

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CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDING DECEMBER 31, 2012

	12 months ended December 31, 2012	Adjustments	As restated
Revenues			
Revenue	$ -	$ -	$ -
Cost of Revenue	-	-	-
Gross Profit	-	-	-
Operating Expenses			
Commissions & Consulting Fees	9,000		9,000
General & Administrative Costs	339,524	-	339,524
Mining Property Costs	591,926	-	591,926
Depreciation Expense	98,673	-	98,673
Impairment Expense	5,341	-	5,341
Accretion Expense	513	-	513
Professional Services	79,714	-	79,714
Total Operating Expenses	1,124,691	-	1,124,691
Net Operating Loss	(1,124,691)	-	(1,124,691)
Other Income (Expenses)		-	
Gain on Mineral Claim Sales	4,500		4,500
Other Income from Mineral Claims	32,500	-	32,500
Interest Income	831	-	831
Interest Expense	(644,773)	-	(644,773)
Gain/Loss on Derivative Liability	(386,833)	-	(386,833)
Loss on Conversion of Debt	-	-	-
Bad Debt (Expense) / Recovery	982	-	982
Loss on Settlement	-	-	-
Other Expense	(2,222)	-	(2,222)
Realized Gain (Loss) on Investment	-	-	-
Net Other Income (Expenses)	(995,015)	-	(995,015)
Loss From Continuing Operations	(2,119,706)	-	(2,119,706)
Loss From Discontinued Operations	-	-	-
Net Loss	(2,119,706)	-	(2,119,706)
Accretion of Discount on Redeemable Common Stock	-	(29,516)	(29,516)
Interest on Redeemable Common Stock	-	(22,701)	(22,701)
Net Loss Attributable to Common Shareholders	(2,119,706)	(52,217)	(2,171,923)
Unrealized Loss on Available For Sale Securities	(12,500)	-	(12,500)
Total Comprehensive Loss	(2,132,206)		(2,184,423)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Basic)	99,799,411	-	99,799,411
Basic Net Gain (Loss) per Share	$ (0.02)	-	$ (0.02)