

NORTH BAY RESOURCES INC
Form 10-Q
May 06, 2013

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

or

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 000-54213

NORTH BAY RESOURCES INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

83-0402389
(IRS Employer Identification No.)

2120 Bethel Road
Lansdale, Pennsylvania 19446
(Address of principal executive offices)

(215) 661-1100
(Issuer's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 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 No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Yes No

State the number of shares outstanding of each of the issuer’s classes of common equity, as of the latest practicable date: 112,776,902 shares of Common Stock as of May 2, 2013.

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NORTH BAY RESOURCES INC.
(AN EXPLORATION STAGE COMPANY)

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2013	December 31, 2012
ASSETS		
Current Assets		
Cash	\$69,994	\$42,008
Total Current Assets	69,994	42,008
Other Assets		
Available For Sale Securities	22,500	12,550
Prepaid Expenses	55,000	-
Certificates of Deposit	172,619	172,499
Deferred Financing Costs, net	8,126	14,471
Mining Claims – Unproved	1,797,488	1,797,488
Property, Plant & Equipment, net of accumulated depreciation	611,152	635,212
Reclamation Bond – Fraser River	2,000	2,000
Total Other Assets	2,668,885	2,634,220
TOTAL ASSETS	\$2,738,879	\$2,676,228
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
Liabilities		
Current Liabilities		
Accounts Payable	\$58,256	\$56,617
Accrued Expenses - Related Party	933,474	884,474
Accrued Expenses – Ruby Mine	5,906	12,250
Accrued Interest	49,776	41,363
Convertible notes payable (net of discounts of \$62,242 and \$166,307, respectively)	238,472	608,193
Deferred Gain	-	9,835
Derivative Liability	671,791	496,827
Note Payable – Ruby Mine Mortgage	1,128,112	1,774,822
Total Current Liabilities	3,085,787	3,884,381
Long-Term Liabilities		
Convertible notes payable (net of discounts of \$45,457 and \$0, respectively)	415,640	-
Note Payable – Ruby Mine Mortgage	789,938	-
Asset Retirement Obligation	5,660	5,584
Total Long-Term Liabilities	1,211,238	5,584
Total Liabilities	\$4,297,025	\$3,889,965
Stockholders' Equity (Deficit)		
	-	-

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Preferred stock, Series I, \$0.001 par value, 100 shares authorized, 100 shares issued and outstanding at March 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 March 31, 2013 and December 31, 2012, respectively

Common stock, \$0.001 par value, 250,000,000 shares authorized, 107,714,311 and 102,002,731 shares issued and outstanding at March 31, 2013 and December 31, 2012, respectively

Additional Paid-In Capital	107,714	102,003
Accumulated Other Comprehensive Income/(Loss)	12,398,959	12,168,608
Deficit Accumulated During Exploration Stage	(2,550)	(12,500)
Total Stockholders' Equity (Deficit)	(14,066,269)	(13,475,848)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	(1,558,146)	(1,213,737)
	\$2,738,879	\$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 THREE MONTH PERIODS ENDING
 MARCH 31, 2013 AND 2012 (Unaudited)
 AND THE PERIOD FROM
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)

	3 months ended March 31, 2013	3 months ended March 31, 2012 (restated)	Since inception (June 18, 2004 - March 31, 2013)
Revenues			
Revenue	\$-	\$-	\$-
Cost of Revenue	-	-	-
Gross Profit	-	-	-
Operating Expenses			
Commissions & Consulting Fees	-	-	312,000
General & Administrative Costs	81,008	93,585	9,241,955
Mining Property Costs	46,901	168,115	1,719,252
Depreciation Expense	24,060	26,185	183,293
Impairment Expense	-	-	145,995
Accretion Expense	76	127	832
Professional Services	29,902	18,500	280,334
Total Operating Expenses	181,947	306,512	11,883,661
Net Operating Loss	(181,947)	(306,512)	(11,883,661)
Other Income (Expenses)			
Gain on Mineral Claim Sales	113,499	4,500	341,243
Other Income from Mineral Claims	-	-	309,649
Interest Income	125	545	1,597
Interest Expense	(305,666)	(237,786)	(1,212,625)
Gain/Loss on Derivative Liability	(217,526)	-	(604,359)
Loss on Conversion of Debt	-	-	(137,000)
Bad Debt (Expense) / Recovery	-	-	(47,185)
Loss on Settlement	-	-	(62,095)
Other Expense	-	-	(2,222)
Other Income	1,094	-	1,094
Realized Gain (Loss) on Investment	-	-	(97,109)
Net Other Income (Expenses)	(408,474)	(232,741)	(1,509,012)
Loss From Continuing Operations	(590,421)	(539,253)	(13,392,673)
Loss From Discontinued Operations	-	-	(673,596)
Net Loss	(590,421)	(539,253)	(14,066,269)
Unrealized (Loss)/Gain on Available For Sale Securities	9,950	-	(2,550)
Total Comprehensive Loss	(580,471)	(539,253)	(14,068,819)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING			
(Basic)	104,488,352	98,127,893	
Basic Net Gain (Loss) per Share	\$(0.01)	\$(0.01)	

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WEIGHTED AVG NUMBER OF SHARES OUTSTANDING

(Diluted)

104,488,352 98,127,893

Diluted Net Gain (Loss) per Share

\$(0.01) \$(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)
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
 FOR THE PERIOD
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)

	Preferred Stock			Common Stock			Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit
	Series A Shares	Series G Shares	Series I Amount	Series A Amount	Series G Amount	Series I Amount					
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	-	-
Net loss for year	-	-	-	-	-	-	-	-	-	(95,587)	-
Balance at 12/31/2004	2,400,000	-	-	\$2,400	\$-	\$-	840,000	\$840	\$1,760	\$-	\$(95,587)
Common Stock issued to convert debt	-	-	-	-	-	-	12,127	12	180,213	-	-
Common Stock issued for services	-	-	-	-	-	-	121,491	121	2,586,046	-	-
Common Stock issued for cash	-	-	-	-	-	-	102,643	103	517,597	-	-
Net loss for year	-	-	-	-	-	-	-	-	-	(1,816,896)	-
Balance at 12/31/2005	2,400,000	-	-	\$2,400	\$-	\$-	1,076,261	\$1,076	\$3,285,616	\$-	\$(1,912,483)

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

	Preferred Stock						Common Stock						Total Stockholders' Equity
	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	
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)
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
 FOR THE PERIOD
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)
 (Continued)

	Preferred Stock			Common Stock						Additional Paid-In Capital	Stock Payable	Accumula- Deficit	Accumula- OCI	Total Stockhold- Deficit
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount						
Beneficial Conversion Features on notes payable	-	-	-	-	-	-	-	-	62,000	-	-	-	-	62,000
Common Stock issued to convert debt	-	-	-	-	-	-	1,350,000	1,350	120,150	-	-	-	-	121,500
Common Stock issued for services	-	-	-	-	-	-	10,575,000	10,575	959,425	-	-	-	-	970,000
Common Stock issued as interest on loan	-	-	-	-	-	-	10,000	10	1,490	-	-	-	-	1,500
Preferred Shares issued for services	-	-	100	-	-	-	-	-	101,000	-	-	-	-	101,000
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)	-	-	-	-	(2,000)
Expenses paid by shareholder	-	-	-	-	-	-	-	-	70,623	-	-	-	-	70,623
Net loss for year	-	-	-	-	-	-	-	-	-	-	(1,490,871)	-	(1,490,871)	-
	-	-	100	\$2,400	\$-	\$-	16,522,261	\$16,522	\$8,513,664	\$-	\$(8,907,591)	\$-	\$(377,405)	

Balance at
12/31/2007

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NORTH BAY RESOURCES INC.
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 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
 FOR THE PERIOD
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)
 (Continued)

	Preferred Stock			Common Stock			Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Deficit		
	Series A Shares	Series G Shares	Series I Amount	Series A Amount	Series G Amount	Series I Amount						Shares	Amount
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.
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 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
 FOR THE PERIOD
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)
 (Continued)

	Preferred Stock			Common Stock						Additional Paid-In Capital	Stock Payable	Accumulat Deficit
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount	Shares	Amount				
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	-	-	-	-	-	-	-	-	-	-	(786,979)	
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)
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
 FOR THE PERIOD
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)
 (Continued)

	Preferred Stock			Common Stock			Additional Paid-In Capital	Stock Payable	Accumula Deficit		
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount				Shares	Amount
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	-	-	-	-	-	-	-	-	-	-	(287,345)
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)
 STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
 FOR THE PERIOD
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)
 (Continued)

	Preferred Stock			Common Stock			Additional Paid-In Capital	Stock Payable	Accumula Deficit		
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount				Shares	Amount
Common Stock issued for cash	-	-	-	-	-	-	10,314,967	10,315	846,685	-	-
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	-	-

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Stock payable for warrant exercise	-	-	-	-	-	-	-	-	-	-	25,000	-
Net loss for year (restated)	-	-	-	-	-	-	-	-	-	-	-	(1,045,749)
Balance at 12/31/2011 (restated)	4,000,000	100,000	100	\$4,000	\$100	\$-	97,664,462	\$97,664	\$11,358,733	\$25,000	\$-	\$(11,356,149)

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

	Preferred Stock		Common Stock				Additional Paid-In Capital	Stock Payable	Accu D		
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount				Shares	Amount
Common Stock issued for cash	-	-	-	-	-	-	3,248,719	3,249	198,215	-	-
Common Stock issued as draw on equity line, proceeds applied towards note payable balance owed	-	-	-	-	-	-	387,900	388	25,148	-	-
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	-	-	-	-	-	-	-	-	321,002	-	-

conversion feature and attached warrants												
Warrants issued for modification of payment terms on mortgage payable	-	-	-	-	-	-	-	-	175,047	-	-	-
Net loss for period	-	-	-	-	-	-	-	-	-	-	-	(2,100,000)
Balance at 12/31/2012	4,000,000	-	100	\$4,000	\$-	\$-	102,002,731	\$102,003	\$12,168,608	\$-		\$(13,000,000)
Common Stock issued for cash	-	-	-	-	-	-	2,211,580	2,211	66,789	-	-	-
Common Stock issued for convertible debt conversion	-	-	-	-	-	-	3,500,000	3,500	77,287	-	-	-
Mark to market AFS securities	-	-	-	-	-	-	-	-	-	-	-	-
Settlement of Derivative Liability	-	-	-	-	-	-	-	-	86,275	-	-	-
Net loss for period	-	-	-	-	-	-	-	-	-	-	-	(590,000)
Balance at 3/31/2013	4,000,000	-	100	\$4,000	\$-	\$-	107,714,311	\$107,714	\$12,398,959	\$-		(14,000,000)

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 THREE MONTH PERIODS ENDING
 MARCH 31, 2013 AND 2012 (Unaudited)
 AND THE PERIOD FROM
 JUNE 18, 2004 (INCEPTION) THROUGH MARCH 31, 2013 (Unaudited)

	3 Months Ended March 31, 2013	3 Months Ended March 31, 2012 (restated)	Since inception (June 18, 2004 to March 31, 2013)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$(590,421)	\$(539,253)	\$(14,066,269)
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)	(4,500)	(241,333)
Gain on sale of claims – non-cash	(55,000)	-	(55,000)
Common Stock issued for services	-	4,000	5,123,677
Common Stock issued to director for services	-	-	10,000
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
Bad debt expense	-	-	48,167
Gain realized on transfer of AFS – securities	-	-	(9,875)
Amortization of discount on debt	107,322	45,301	683,280
Amortization of deferred financing cost	11,345	-	26,984
Change in derivative liability	217,526	-	604,359
Common Stock issued as interest on loan	-	-	1,500
Depreciation Expense	24,060	26,185	183,293
Accretion Expense	76	127	832
Impairment Expense	-	-	145,995
Extension Expense for Ruby mortgage	160,000	-	160,000
Changes in operating assets and liabilities:			
Accounts receivable	-	982	(29,018)
Prepaid Expenses	-	-	9,910
Other assets	(120)	(2,512)	1,256
Accrued expenses – related party	49,000	28,000	1,249,593
Accrued expenses	2,069	-	56,218
Accounts Payable	1,639	22,379	52,314
Other current assets	-	-	(29,316)

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Net Cash Used in Operating Activities	(131,003)	(244,244)	(3,109,593)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchase of fixed assets	-	-	(12,459)
Cash received from sales of claims	48,664	4,500	241,333
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	48,664	4,500	(152,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of stock	69,000	69,500	1,883,164
Cash paid for debt issuance costs	(5,000)	-	(29,500)
Contributions from related party	-	-	244,994
Warrants exercised, shares not yet issued	-	-	25,000
Debt Repayments	(129,772)	(15,910)	(347,450)
Shares re-purchased and retired	-	-	(2,000)
Borrowings on convertible debt	176,097	175,000	1,557,909
Net Cash Provided by Financing Activities	110,325	228,590	3,332,117
Net cash increase (decrease) for period	27,986	(11,154)	69,994
Cash at beginning of period	42,008	129,888	-
Cash at end of period	69,994	118,734	69,994
Supplementary Cash Flow Information:			
Cash Paid for Interest	-	-	-
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	\$-	\$-	\$253,912
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	\$-	\$175,000	\$-
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	\$166,714
Common stock issued for conversion of convertible debt	\$80,787	\$-	\$254,639
Equity draw applied towards note principal owed	\$-	\$15,000	\$25,536
Common Stock issued for deferred financing costs	\$-	\$-	\$5,610
Debt discount due to derivative liability	\$43,713	\$-	\$179,920
Cancellation of preferred shares	\$-	\$-	\$100
Settlement of Derivative liability	\$86,275	\$-	\$136,070
Unrealized gain/loss on AFS	\$(9,950)	\$-	\$2,550

The accompanying notes are an integral part of these financial statements

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.

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.

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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, 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.

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, proved, probable, inferred, or possible 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.

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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. As of March 31, 2013, the transaction has been completed, and the deferred gain has been recognized as income.

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.

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, 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 March 31, 2013, were: Volatility of 116%, 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	Conversions	Changes in Fair Values	Balance at March 31, 2013
Level 3 – Derivative liabilities from:					
Conversion features – embedded derivative	\$82,237	\$43,713	\$(47,098)	\$7,406	\$86,258
Conversion features – tainted equity	208,971	-	(39,177)	67,580	237,374
Warrants – tainted equity	205,619	-	-	142,540	348,159
	\$496,827	\$43,713	\$(86,275)	\$217,526	\$671,791

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 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	\$ -	\$-	\$ 12,550
Totals	\$ 12,550	\$ -	\$-	\$ 12,550

The following table presents assets that were measured and recognized at fair value as of March 31, 2013:

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

The Company had no other assets or liabilities valued at fair value on a recurring or non-recurring basis as of March 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 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.

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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, 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. Deferred financing costs as of March 31, 2013 was \$8,126 net of amortization of \$11,345. This includes a commission 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 valued at \$5,620 on the date of issuance. This amount was 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.

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.

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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, 2013 and 2012, there were 50,679,673 and 43,145,833 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, 2013 and 2012, respectively:

	March 31, 2013	March 31, 2012
Net Loss	\$ (590,421)	\$ (539,253)
Weighted-average common shares Outstanding (Basic)	104,488,352	98,127,893
Weighted-average common stock Equivalents	50,679,673	43,145,833
Deduction of stock Equivalents not included due to net loss	(50,679,673)	(43,145,833)
Weighted-average common shares Outstanding (Diluted)	104,488,352	98,127,893
Basic and Diluted Net Gain (Loss) per Share	\$ (0.01)	\$ (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

New Accounting Pronouncements

Disclosures about Reclassification Adjustments out of Accumulated Other Comprehensive Income

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. The update

had no material impact to 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. The update had no material impact to 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 \$25,000 based upon the closing price of CKR stock on the date the shares were received. As of March 31, 2013 and December 31, 2012, the market value of these shares was \$22,500 and \$12,550, respectively.

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, which was to be paid in stages extending to December 30, 2012, and which has been extended to December 30, 2015 pursuant to an amendment to the agreement signed on March 28, 2013.

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. In addition, in compliance with the agreement dated September 27, 2010, as amended on January 26, 2011, the Company issued warrants to RDC that gives them the option, until December 31, 2015, of purchasing up to 10 million shares of stock at two cents (\$0.02) per share, and in compliance with a second amendment to the Option Agreement dated April 22, 2011, the Company issued 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. These later warrants expire on May 1, 2016.

On the transaction closing date of July 1, 2011, the Company issued a promissory note to RDC for \$1,990,000. The note, as amended, is due on or before December 30, 2015, and accrues interest at 6% per annum as of April 1, 2013, and 8% per annum as of January 1, 2015. As of March 31, 2013, all monthly payments have been paid, and the outstanding balance due on the note is \$1,918,050, which includes a \$160,000 extension fee pursuant to a mortgage modification amendment executed on March 28, 2013. In addition, a \$1 million payment is due on or before December 30, 2013. As of the date of this report, the Company remains current in its obligations, and all monthly payments have been made on time. The note is collateralized with all of the assets associated with the Ruby Mine.

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.

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Ruby Mine Purchase Price Allocation

The following table summarizes the purchase price allocation for the transaction. The valuation conclusions include three groups: (i) net current tangible assets, (ii) assumed liabilities, and (iii) goodwill. Individual asset valuations are presented below:

Acquisition Date: 07/01/11

Allocation of Purchase	Price Purchase Allocation	
	Debit	Credit
Tangible Assets Acquired		
Cash/Checking/Savings	5,070	
Ruby Gold Mine Claims	1,964,279	
Ruby Gold Inc. Certificates of Deposit	171,618	
Property and Equipment	906,329	
Total Tangible Assets	3,047,296	
Assumed Liabilities		
Short Term Notes Payable		2,500
Asset Retirement Obligation		171,618
Total Liabilities		174,118
Net Tangible Assets/Liabilities	2,873,178	
Goodwill	5,341	
Total Net Assets Acquired	2,878,519	
Consideration Paid		
Cash Paid (Option Agreement & Purchase Agreement) - prior year	-	80,000
Cash Paid (Option Agreement & Purchase Agreement)		280,000
Fees Paid Escrow Agent at Closing		2,076
Value of Extension of term for 9/27/10 Warrants issued		2,519
Note Payable at closing		1,990,000
Warrant (10,000,000 @\$0.02 to 9/27/10 - 12/30/12) - prior year		149,896
Warrant (2,000,000 @\$0.10 to 4/22/11 - 5/1/16)		219,941
Due diligence fees paid in cash in prior year		4,087
Common Stock valued at \$150,000 - prior year		150,000
Total Consideration Paid		2,878,519

NOTE 6

PROPERTY, PLANT, EQUIPMENT AND MINERAL CLAIM ASSETS

As of March 31, 2013, and December 31, 2012, components of the Ruby Mine property, plant and equipment and mineral assets were as follows:

	March 31, 2013	December 31, 2012
Buildings	\$ 558,885	\$ 558,885
Machinery and equipment	119,389	119,389
Vehicles	240,514	240,514
Total property, plant and equipment	918,788	918,788
Less: impairment expense(2)	(124,343)	(124,343)
Less: accumulated depreciation(3)	(183,293)	(159,233)
Property, plant and equipment, net	\$ 611,152	\$ 635,212

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	March 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 \$24,060 and \$26,185 for the three months ended March 31, 2013 and 2012, respectively. Depletion expense totaled \$0 and \$0 for the three months ended March 31, 2013 and 2012, respectively

NOTE 7

FINANCING

On June 17, 2010, the Company entered into a Convertible Promissory Note Agreement ("the Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received \$17,500 as a loan from Tangiers. The Note is convertible to 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 greater of (a) \$0.001 or (b) eighty percent (80%) of the lowest traded price of common stock out of the ten (10) trading days immediately preceding the conversion date. The Note has a term of one year and accrues interest at a rate equal to 9.9% per year. Conversion rights were waived by the holder from inception of the agreement through July 15, 2010. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be \$10,726. This value was recorded as a discount on debt and offset to additional paid in capital. During the three months ended March 31, 2011 the note balance of \$17,500 and accrued interest of \$1,225 was settled with conversion into 863,681 shares of common stock. The unamortized portion of the discount at the time of conversion of \$4,937 was fully amortized upon conversion. No gain or loss was recorded for the conversion due to the conversion being within the terms of the convertible debt agreement.

On September 27, 2010, 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 to initiate the acquisition of the Ruby Mine. The Note is convertible to 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 greater of (a) \$0.005 or (b) eighty percent (80%) of the lowest traded price of common stock out of the ten (10) trading days immediately preceding the conversion date. The Note has a term of one year and accrues interest at a rate equal to 9.9% per year. In addition, Tangiers is entitled to 1.5 million 5 year warrants exercisable at \$0.05, with an additional 1 million 5 year warrants exercisable at \$0.05 if the note remains outstanding after 90 days, and is also entitled to a 0.75% non-voting interest in the Ruby Project.

The beneficial conversion feature resulting from the discounted conversion price compared to the market price was calculated based on the date of grant to be \$17,560 after adjusting the effective conversion price for the relative fair value of the note proceeds compared to the fair value of the attached warrants and note. In addition to this discount related to the beneficial conversion feature, an additional discount of \$22,475 was recorded based on the fair value of

the 1,500,000 warrants attached to the debt. This value was derived using the Black-Scholes valuation model. The 1,000,000 contingent warrants owed were valued at \$15,000 according to the Black-Scholes model. This value was not recorded initially due to the contingent nature of the issuance. This contingency was resolved ninety days after the note was issued when the note was unpaid. As a result the 1,000,000 warrants were issued. The remaining undiscounted portion of the note was \$9,965. As a result of the value of the warrants exceeding the remaining undiscounted portion of the note, only \$9,965 was recorded as an additional discount from this issuance. During the three months ended March 31, 2011 the note balance of \$50,000 and accrued interest of \$2,495 was settled with conversion into 1,600,467 shares of common stock. The unamortized portion of the discount at the time of conversion of \$36,986 was fully amortized upon conversion. No gain or loss was recorded for the conversion due to the conversion being within the terms of the convertible debt agreement.

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On December 30, 2010, 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 for expenses related to our acquisition of the Ruby Mine. The Note is convertible to 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 greater of (a) \$0.005 or (b) seventy percent (70%) of the lowest traded price of common stock out of the ten (10) trading days immediately preceding the conversion date. The Note has a term of nine months and accrues interest at a rate equal to 9.9% per year. In addition, Tangiers is entitled to 500,000 5-year warrants exercisable at \$0.05. The beneficial conversion feature resulting from the discounted conversion price compared to market price was valued on the date of grant to be \$32,485 on the note, and \$14,195 on the warrants. This value was recorded as a discount on debt and offset to additional paid in capital. Amortization of the discount was \$15,389 for the three months ended March 31, 2011. On April 1, 2011, \$27,983 of principal on the note was satisfied with conversion into 975,000 shares of common stock. The remaining balance of \$22,017 in principal and \$1,612 in accrued interest was satisfied with conversion into 462,416 shares of common stock on June 1, 2011, and as of June 30, 2011, the debt has been retired. The unamortized portion of the discount at the time of conversion of \$31,163 was fully amortized upon conversion. No gain or loss was recorded for the conversion due to the conversion being within the terms of the convertible debt agreement.

On January 4, 2011, the Company entered into a Securities Purchase Agreement with Asher Enterprises, Inc. ("Asher"), for the sale of an 8% convertible note in the principal amount of \$50,000 (the "Note"). The Note bears interest at the rate of 8% per annum. All interest and principal must be repaid by the maturity date of October 3, 2011. The Note is convertible into common stock, at Asher's option, at a 45% discount to the average of the three lowest closing bid prices of the common stock during the 10 trading day period prior to conversion, provided that the number of shares to be issued upon conversion cannot result in the recipient holding more than 4.99% of the outstanding number of shares. The discount on the Note from the beneficial conversion feature is \$50,000, and \$32,065 was amortized during the six months ended June 30, 2011. On July 19, 2011, the outstanding \$50,000 principal of the note plus \$1,020 in accrued interest was converted to 557,528 shares of common stock. Accordingly, the Note has been satisfied, and the debt has been retired. The remaining value of the unamortized discount was amortized upon conversion.

The discounts on debt are being amortized straight line over the terms of the convertible notes. The difference between the straight line and effective interest methods is immaterial due to the short term nature of the convertible notes.

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. Said amendment also requires the Company to pay RDC the greater of \$1 million by December 30, 2013 or 40% of the EB-5 funding received until the note is paid off in full. As of March 31, 2013 and December 31, 2012, the outstanding balance due on the note is \$1,918,050 and \$1,774,822, respectively. As of the date of this report, the Company remains current in its obligations, and all monthly payments have been made on time. The note is collateralized with all of the assets associated with the Ruby Mine.

During the quarter ended September 30, 2011 the Company repaid \$2,500 to the former owners of Ruby Gold, Inc. as a part of the loans assumed with the acquisition of the Ruby Gold Mine.

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 has a term of nine (9) months and 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. As of December 31, 2011 and 2012, \$0 and \$20,568 of the discount was amortized, respectively, and the discount has been fully amortized as of December 31, 2012. As of December 31, 2012, the outstanding balance due on the Note \$27,495, which includes \$2,495 in accrued interest as of December 31, 2012. The maturity date on the note was extended in 2012 and is now due on December 28, 2013. As of March 31, 2013, the outstanding balance due on the Note is \$28,114, which includes \$3,114 in accrued interest.

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On February 2, 2012, the Company entered into two Convertible Promissory Note Agreements ("the February 2012 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 February 2012 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 March 31, 2013, the outstanding balance due on the February 2012 Notes is \$111,507, which includes \$11,507 in accrued interest.

On March 15, 2012, the Company entered into two Convertible Promissory Note Agreements ("the March 2012 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 March 2012 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 \$4,496 for the three months ended March 31, 2013. As of March 31, 2013, the outstanding balance due on the March 2012 Notes is \$82,776, which includes \$7,776 in accrued interest. As of March 31, 2013, the remaining unamortized debt discount was \$16,409.

On May 16, 2012, the Company entered into a Convertible Promissory Note Agreement ("the May 16 2012 Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received \$50,000 as a loan from Tangiers. The May 16 2012 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 May 16 2012 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, 2012. As of March 31, 2013, the outstanding balance due on the May 16 2012 Note is \$54,343, which includes \$4,343 in accrued interest.

On May 30, 2012, the Company entered into a Convertible Promissory Note Agreement ("the May 30 2012 Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received \$25,000 as a loan from Tangiers. The May 30, 2012 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 May 30 2012 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, 2012. As of March 31, 2013,

the outstanding balance due on the May 30 2012 Note is \$27,077, which includes \$2,077 in accrued interest.

On June 19, 2012, the Company entered into a Convertible Promissory Note Agreement ("the June 2012 Note") with Tangiers Investors LP, ("Tangiers") pursuant to which the Company received \$100,000 as a loan from Tangiers. The June 2012 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 June 2012 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 \$9,194 for the three months ended March 31, 2013. As of March 31, 2013, the outstanding balance due on the June 2012 Note is \$105,490, which includes \$5,490 in accrued interest. As of March 31, 2013, the remaining unamortized debt discount was \$45,457.

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On July 11, 2012, the Company issued a \$550,000 Promissory Note ("the JMJ 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 JMJ Note. The JMJ Note has a maturity date of twelve (12) months from the Effective Date of each respective tranche. If the JMJ Note is repaid within ninety (90) days of the Effective Date, the interest rate shall be zero percent (0%). Should the JMJ 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 cumulative consideration received as of March 31, 2013 and December 31, 2012 is \$165,000 and \$115,000, respectively (\$50,000 in borrowings during the three months ended March 31, 2013). Due to the floating conversion price the JMJ Note had an embedded derivative. The debt discount resulting from the derivative was valued on the date of grant to be \$111,517 for the issuances during the year ended December 31, 2012. The additional discount resulting from the derivative valued on the grant date during the three months ended March 31, 2013 was \$43,713. These values were recorded as discounts on debt and offset to the derivative liability. In addition there was \$16,500 of discount as a result of the principal owed (\$181,500) exceeding the cash received (\$165,000). This resulted in a total discount on all notes of \$171,730. Amortization of the discount was \$67,591 for the three months ended March 31, 2013. As of March 31, 2013, \$80,787 has been repaid via conversions to common stock, and the outstanding balance due on the JMJ Note is \$107,038, which includes \$6,325 in accrued interest. The unamortized debt discount as of March 31, 2013 was \$45,832.

On August 2, 2012, the Company issued a \$100,000 Convertible Promissory Note ("the Tonaquint Note") to Tonaquint, Inc, ("Tonaquint", or "the Lender"). The Tonaquint 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 Tonaquint 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 Tonaquint 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 Tonaquint Note at any time at an amount equal to 125% of the outstanding principal and the accrued and unpaid interest. In connection with this 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 valued at \$5,620 on the date of issuance. This amount was capitalized to Deferred Financing Costs and amortized over the term of the Tonaquint Note. The tainted equity valuation and "OID" totaled \$48,272, 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 Tonaquint Note was \$116,792 which includes \$3,792 in accrued interest. As of March 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 three months ended March 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 March 31, 2013, the Company has drawn \$286,098 from this facility. This included additional borrowings of \$126,097 during the three months ended March 31, 2013. As of March 31, 2013 and December 31, 2012, the outstanding balance due on this Note is \$290,804 and \$161,059 which includes \$4,707 and \$1,059 in accrued interest, respectively.

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The following table summarizes all of the Convertible Notes outstanding as of March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Mortgage payable – Ruby Mine	\$ 1,918,050	\$ 1,774,822
Convertible notes:		
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%	386,098	260,000
Unsecured convertible notes payable with annual interest rate of 5%	100,713	126,500
Discount on convertible notes from derivative valuation	(107,699)	(166,307)
Total convertible notes	654,112	608,193
Total Debt	\$ 2,572,162	2,383,015

NOTE 8

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 \$205,689 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 three months ended March 31, 2013, the Company issued additional convertible notes totaling \$181,097, which were considered tainted upon issuance. The related derivative liability and debt discount recorded was valued at inception and equal to \$43,713. In addition, the Company retired \$199,145 in debt through cash payments and stock

conversions, which resulted in a settlement of derivative liabilities to additional paid in capital of \$86,275. All instruments with embedded derivative liabilities or included in the derivative liability due to the tainted equity environment were re-valued at March 31, 2013, with all changes flowing through the gain/loss on derivative for a total loss on derivative of \$217,526 for the three months ended March 31, 2013. The derivative liability related to convertible debt was valued at \$323,632, and the derivative liability related to warrants was \$348,159 as of March 31, 2013.

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

Derivative Liability at December 31, 2012	\$496,827
Loss on Derivative Liability	217,526
Settlement to APIC from Conversion	(86,275)
Additions to Liability for Convertible Debt	43,713
Derivative Liability at March 31, 2013	\$671,791

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The following tabular presentation reflects the components of derivative financial instruments on the Company's balance sheet at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Derivative Liabilities:		
Embedded derivative liability in convertible debt	\$ 251,425	\$ 82,237
Derivative liability due to tainted equity – convertible debt	72,207	208,971
Derivative liability due to tainted equity – warrants	348,159	205,619
Total Derivative Liability	\$ 671,791	\$ 496,827

NOTE 9

COMMITMENTS AND CONTINGENCIES

As of March 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 13 - 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.

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 has not been completed.

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NOTE 10 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 11 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. As of March 31, 2013 and December 31, 2012, the outstanding balance of the NQDC plan is \$933,474 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 12 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 and development 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, 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	2.4	%

	Asset Retirement Obligation
Asset retirement obligation at 12/31/12	\$ 5,584
Accretion Expense	76
Asset retirement obligation at 3/31/13	\$ 5,660

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NOTE 13 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 three month period ended March 31, 2013, \$5,000 of the amount due was paid in cash, and \$49,000 accrued to deferred compensation.

NOTE 14 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.

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.

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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.

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.

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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.

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.

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.

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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. As of March 31, 2013, this note was repaid entirely in cash and retired.

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.

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 three month period ended March 31, 2013, the Company issued 2,211,580 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 \$69,000.

During the three month period ended March 31, 2013, and pursuant to four partial conversion notices received, the Company issued an aggregate of 3,500,000 shares of common stock of the Company to satisfy \$80,787 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.

NOTE 15 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
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Exercise Price of Warrants	\$	0.02
Term of Warrants (years)		2.26
Computed Volatility		440%
Annual Dividends		0.00%
Discount Rate		0.44%

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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%

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%

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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%

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%

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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%

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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%

A summary of activity related to the Company's warrant activity for the period from December 31, 2009 through March 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(2)	-	-	-
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	3.75(1)
Granted	-	-	-
Exercised	-	-	-
Canceled/forfeited/expired	-	-	-
Outstanding at March 31, 2013	19,550,000	0.045	2.75

(1) Primary reason for change related 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 from 2 years to 5 years.

NOTE 16

RESTATEMENT

On February 6, 2013, pursuant to a comment letter issued by the Staff of the Securities and Exchange Commission (the "SEC") relating to the Form 10-Q for Fiscal Quarter Ended September 30, 2012 ("Form 10-Q") filed by the Company on November 9, 2012, management of the Company, after discussions with the board of directors, the Company's independent registered public accounting firm, and the Staff of the SEC, concluded that the previously-issued consolidated financial statements for the Fiscal Quarter Ended September 30, 2012 contained in the Company's Form 10-Q (the "Financial Statements") should no longer be relied upon. The discussions with the Staff of the SEC concerned the capitalization of certain costs to improve the Ruby Mine, including tunnel/infrastructure and access road improvements. These costs had been capitalized on the Company's balance sheet. The Commission has clearly stated in a comment letter received on February 5, 2013, that "It is our position that once you acquired the Ruby property with the intent to explore it and, if determined to be feasible, ultimately extract minerals, these types of improvement activities are considered exploration stage activities, and their costs should be expensed unless the improvements have alternative future use." After extensive consultation with our auditors and the SEC, we concluded that it necessary to make revisions to comply with the Commission's position, and to file our Form 10-K for the year ended December 31, 2012 with restated audited December 31, 2011 financial statements and unaudited restatements of the quarters ended March 31, 2012, June 30, 2012, and September 30, 2012 to remove the aforementioned capitalized development costs from our Consolidated Balance Sheets and expense them in full on our Consolidated Statements of Operations.

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The resulting effect on the March 31, 2012 financial statements is: (1) a decrease in the capitalization of mineral claims by \$206,550, (2) an increase of \$112,269 in Mineral Property expenses, (3) an increase of \$112,269 in net loss (increase of \$0.01 loss per share), and (4) an increase in total stockholders' deficit of \$206,550. The increase in net loss resulted in no net change to cash used in operating activities.

Below is the restated balance sheet and income statement related to the restatement three months ended March 31, 2012.

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2012 (Unaudited)

	Mar 31, 2012 (as reported)	Adjustments	As Restated
ASSETS			
Current Assets			
Cash	\$118,734	-	\$118,734
Accounts Receivable	-	-	-
Total Current Assets	118,734	-	118,734
Other Assets			
Certificates of Deposit	172,133	-	172,133
Goodwill	5,341	-	5,341
Mining Claims - Unproved	2,004,295	(206,550)	1,797,745
Property, Plant & Equipment, net of accumulated depreciation	707,700	-	707,700
Purchase Option - Taber Mine	10,000	-	10,000
Reclamation Bond Deposit – Fraser River	2,000	-	2,000
Total Other Assets	2,901,469	(206,550)	2,694,919
TOTAL ASSETS	\$3,020,203	\$(206,550)	\$2,813,653
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)			
Liabilities			
Current Liabilities			
Accounts Payable	\$30,976	-	\$30,976
Accrued Expenses - related party	812,474	-	812,474
Accrued Interest	3,348	-	3,348
Convertible notes payable (net of discount of \$146,198)	53,802	-	53,802
Note Payable (net of discount of \$4,069)	5,931	-	5,931
Note Payable – Ruby Mine Mortgage	1,873,275	-	1,873,275
Total Current Liabilities	2,779,806	-	2,779,806
Long-Term Liabilities			
Asset Retirement Obligation	5,198	-	5,198
Total Long-Term Liabilities	5,198	-	5,198
Total Liabilities	\$2,785,004	-	\$2,785,004
Stockholders' Equity (Deficit)			
Preferred stock, Series I, \$0.001 par value, 100 shares authorized, 100 shares issued and outstanding at March 31, 2012	-	-	-
	4,000	-	4,000

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Convertible Preferred stock, Series A, \$0.001 par value,
8,000,000 shares authorized, 4,000,000 shares issued and
outstanding at March 31, 2012

Convertible Preferred stock, Series G, \$0.001 par value,
1,500,000 shares authorized, 100,000 shares issued and outstanding
at March 31, 2012

Common stock, \$0.001 par value, 250,000,000 shares authorized,
98,724,621 shares issued and outstanding at March 31, 2012

100	-	100	
98,725	-	98,725	
11,796,219	-	11,796,219	
25,000	-	25,000	
(11,688,845)	(206,550)	(11,895,395)	
235,199	(206,550)	28,649	
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	\$3,020,203	(206,550)	\$2,813,653

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CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDING MARCH 31, 2012 (Unaudited)

	3 months ended March 31, 2012 (as reported)	Adjustments	As Restated
Revenues			
Retail Sales (revenue prior to change to mining company in 2006)	\$-	\$-	\$-
Cost of Revenue	-	-	-
Gross Loss	-	-	-
Operating Expenses			
Commissions & Consulting Fees	-	-	-
General & Administrative Costs	93,585	-	93,585
Mining Property Costs	55,846	112,269	168,115
Depreciation Expense	26,185	-	26,185
Professional Services	18,500	-	18,500
Total Operating Expenses	194,116	112,269	306,385
Net Operating Loss	(194,116)	(112,269)	(306,385)
Other Income (Expenses)			
Gain on Mineral Claim Sales	4,500	-	4,500
Gain on Joint-Ventures	-	-	-
Impairment Expense	-	-	-
Interest Income	545	-	545
Interest Expense	(62,739)	-	(62,739)
Loss on Conversion of Debt	-	-	-
Bad Debt Expense	-	-	-
Accretion Expense	(127)	-	(127)
Other Expense	(175,047)	-	(175,047)
Loss on Settlement	-	-	-
Realized Gain (Loss) on Investment	-	-	-
Net Other Income (Expenses)	(232,868)	-	(232,868)
Net Loss	(426,984)	(112,269)	(539,253)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING			
(Basic)	98,127,893		98,127,893
Basic Net Loss per Share	\$(0.00)		\$(0.01)
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING			
(Diluted)	98,127,893		98,127,893
Diluted Net Loss per Share	\$(0.00)		\$(0.01)

NOTE 17

SUBSEQUENT EVENTS

Subsequent to March 31, 2013, the Company issued 3,488,305 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 \$128,000.

Subsequent to March 31, 2013 and pursuant to two partial conversion notices received, the Company issued an aggregate of 1,574,286 shares of common stock of the Company to satisfy \$34,713 of the principal and interest due on a Promissory Note ("the Note") dated July 11, 2012 with JMJ Financial, ("JMJ").

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

Disclosure Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q 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 ("Forward Looking Statements"). All statements other than statements of historical fact included in this report are Forward Looking Statements. In the normal course of its business, the Company, in an effort to help keep its shareholders and the public informed about the Company's operations, may from time-to-time issue certain statements, either in writing or orally, that contain or may contain Forward-Looking Statements. Although the Company believes that the expectations reflected in such Forward Looking Statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, past and possible future, of acquisitions and projected or anticipated benefits from acquisitions made by or to be made by the Company, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of the Company operations are subject to a number of uncertainties, risks and other influences, many of which are outside the control of the Company and any one of which, or a combination of which, could materially affect the results of the Company's proposed operations and whether Forward Looking Statements made by the Company ultimately prove to be accurate. Such important factors ("Important Factors") and other factors could cause actual results to differ materially from the Company's expectations are disclosed in this report. All prior and subsequent written and oral Forward Looking Statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from the Company's expectations as set forth in any Forward Looking Statement made by or on behalf of the Company.

The following discussion and analysis should be read in conjunction with the information set forth in the Company's audited financial statements for the year ended December 31, 2012.

Overview

We seek to acquire, 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 revenue streams even during the earliest stages of exploration and development. This is accomplished by entering into sales, joint-venture, and/or option contracts with other mining companies, for which the Company generates revenue through payments in cash, stock, and other consideration.

On July 1, 2011 we acquired 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. Operations commenced at the Ruby Mine during Q4 2011 to rehabilitate the Ruby Tunnel and renovate the infrastructure. This work is still ongoing, but there is no guarantee that mining operations will begin, or that our mining operations will be successful.

With the exception of the Fraser River Project, we currently do not control any properties with active or imminent mining operations in Canada. Operations commenced at the Fraser River Project on October 23, 2012, to begin the excavation of test pits, but there is no guarantee that commercial production will begin, or that our mining operations will be successful.

On November 1, 2011, the Company agreed to an exclusive option on 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. 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. Said due diligence is still ongoing as of the date of this report, and there is no guarantee that the option will be exercised, that mining operations will begin, or that our mining operations will be successful.

As of 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.

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As of December 31, 2011, the Company has 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 report, 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 report a definitive agreement with PWC has not yet been signed. As of the date of this report, the Company continues to own and control 100% of the project. In the interim, the Company has engaged PWC as an independent contractor to initiate mining operations, and the Company does not presently expect that a definitive JV agreement with PWC will be forthcoming.

With the exception of the Ruby Mine and the Fraser River Project, we currently do not control any properties with active mining operations. The Ruby Mine has begun pre-production operations to rehabilitate the Ruby tunnel 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 December 31, 2012, our total holdings are 234 claims encompassing 76,404 acres (30,933 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. The Company is comfortable with maintaining a stated minimum of 150 mineral and placer claims covering an aggregate of 60,000 acres on an annualized basis. 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 mineral 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, 2013.

As of March 31, 2013 and March 31, 2012, cash gains from claim sales totaled \$113,499 and \$4,500, 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.

We currently generate revenue from claim sales and joint-venture agreements. When we sell a claim, we capture near-term revenue, but forego any possibility of a future revenue stream. When we enter into a joint-venture, we receive near-term revenue 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 revenue 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.

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.

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We have experienced recurring net losses from operations, which losses have caused an accumulated deficit of \$14,066,269 as of March 31, 2013. In addition, we have a working capital deficit of \$3,015,793 as of March 31, 2013. We had a net loss of \$590,421 for the three months ended March 31, 2013, and net losses of \$2,119,706 and \$1,045,749 for the years ended December 31, 2012 and 2011, 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, 2012 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, 2012 the accumulated deficit attributable to CEO compensation is \$884,474 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 has consisted 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, and \$116,000 in 2012. 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.

Mineral Property Costs

Mineral property acquisition costs are capitalized upon acquisition. Mineral property exploration and development costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven, proved, probable, inferred, or possible 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.

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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.

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, 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 March 31, 2013, were: Volatility of 116%, 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	Conversions	Changes in Fair Values	Balance at March 31, 2013
Level 3 –					
Derivative liabilities from:					
Conversion features – embedded derivative	\$82,237	\$43,713	\$(47,098)	\$7,406	\$86,258
Conversion features – tainted equity	208,971	-	(39,177)	67,580	237,374

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Warrants – tainted equity	205,619	-	-	142,540	348,159
	\$496,827	\$43,713	\$(86,275) \$217,526	\$671,791

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.

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The following table presents assets 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
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