

NORTH BAY RESOURCES INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2015 AND DECEMBER 31, 2014

| | <u>Dec 31, 2015</u> | <u>Dec 31, 2014</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 4,784 | \$ 32,060 |
| Accounts Receivable | - | 1,515 |
| Deferred Financing Costs, net | 3,151 | 31,049 |
| Available For Sale Securities | 72,821 | 33,956 |
| Total Current Assets | 80,756 | 98,580 |
| Other Assets | | |
| Certificates of Deposit - Pledged | 173,512 | 173,200 |
| Prepaid Expenses | 36,920 | 36,920 |
| Mining Claims – Unproved | 1,795,778 | 1,795,778 |
| Property, Plant & Equipment, net of accumulated depreciation | 413,358 | 506,719 |
| Reclamation Bond – Fraser River | 5,000 | 5,000 |
| Total Other Assets | 2,424,568 | 2,517,617 |
| TOTAL ASSETS | \$ 2,505,324 | \$ 2,616,197 |
| LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 132,456 | \$ 126,706 |
| Accrued Expenses - Related Party | 1,120,624 | 947,624 |
| Accrued Interest | 379,807 | 200,404 |
| Convertible notes payable (net of discounts of \$166,985 and \$762,510, respectively) | 1,525,279 | 1,045,512 |
| Derivative Liabilities – Convertible Debt | 693,325 | 1,383,813 |
| Note Payable – Ruby Mine Mortgage | 1,697,055 | 1,697,055 |
| Note Payable - Equipment | 7,761 | 17,548 |
| Total Current Liabilities | 5,556,307 | 5,418,662 |
| Long-Term Liabilities | | |
| Note Payable – Ruby Mine Mortgage, net of current portion | - | - |
| Note Payable – Equipment, net of current portion | - | 12,551 |
| Asset Retirement Obligation | 5,256 | 4,952 |
| Total Long-Term Liabilities | 5,256 | 17,503 |
| Total Liabilities | \$ 5,561,563 | \$ 5,436,165 |
| Stockholders' Equity (Deficit) | | |
| Preferred stock, Series I, \$0.001 par value, 100 shares authorized, 100 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively | - | - |
| Convertible Preferred stock, Series A, \$0.001 par value, 8,000,000 shares authorized, 4,000,000 and 4,000,000 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively | 4,000 | 4,000 |
| Common stock, \$0.00001 par value, 7,500,000,000 shares authorized, 1,062,057,813 and 9,163,491 shares issued and outstanding at December 31, 2015 and December 31, 2014, respectively | 10,621 | 92 |
| Additional Paid-In Capital | 16,404,479 | 15,891,846 |
| Accumulated Other Comprehensive Income | - | - |
| Stock Payable | 79,648 | 79,648 |
| Accumulated Deficit | (19,554,987) | (18,795,554) |
| Total Stockholders' Equity (Deficit) | (3,056,239) | (2,819,968) |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT) | \$ 2,505,324 | \$ 2,616,197 |

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

NORTH BAY RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDING
DECEMBER 31, 2015 AND 2014

| | 12 months ended December 31, 2015 | 12 months ended December 31, 2014 |
|--|--|--|
| Revenues | | |
| Revenue | \$ - | \$ 11,049 |
| Gross Profit | - | 11,049 |
| Operating Expenses | | |
| Commissions & Consulting Fees | - | - |
| General & Administrative Costs | 287,646 | 343,653 |
| Mining Property Costs | 33,981 | 1,369,284 |
| Depreciation Expense | 93,361 | 100,319 |
| Accretion Expense | 304 | 504 |
| Professional Services | 63,341 | 148,749 |
| Total Operating Expenses | <u>478,633</u> | <u>1,962,509</u> |
| Net Operating Loss | <u>(478,633)</u> | <u>(1,951,460)</u> |
| Other Income (Expenses) | | |
| Gain on Mineral Claim Sales | - | 2,000 |
| Other Income from Mineral Claims | 250,000 | 200,000 |
| Interest Income | 313 | 6,331 |
| Interest Expense | (907,753) | (1,673,737) |
| Gain/Loss on Derivative Liability | 431,015 | 326,673 |
| Gain/Loss on Debt Forgiveness | 4,161 | - |
| Loss on Equity Modification | - | - |
| Loss on Settlement | - | (131,317) |
| Other Income | 3,842 | 52,203 |
| Other Expense | (13,421) | - |
| Realized Gain (Loss) on Investment | (48,959) | (91,094) |
| Net Other Income (Expenses) | <u>(280,802)</u> | <u>(1,308,941)</u> |
| Net Loss | <u>(759,435)</u> | <u>(3,260,401)</u> |
| Interest on Redeemable Common Stock | - | (29,288) |
| Net Loss Attributable to Common Shareholders | <u>(759,435)</u> | <u>(3,289,689)</u> |
| Unrealized (Loss)/Gain on Available For Sale Securities | - | - |
| Total Comprehensive Loss | <u>(759,435)</u> | <u>(3,289,689)</u> |
| WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Basic) | 783,064,173 | 1,741,131 |
| Basic Net Loss per Share | \$ (0.00) | \$ (1.89) |
| WEIGHTED AVG NUMBER OF SHARES OUTSTANDING (Diluted) | 783,064,173 | 1,741,131 |
| Diluted Net Loss per Share | \$ (0.00) | \$ (1.89) |

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

NORTH BAY RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD
JANUARY 1, 2014 THROUGH DECEMBER 31, 2015

| | Preferred Stock | | | | | | Common Stock | | Additional Paid-In Capital | Stock Payable | Accumulated Deficit | Accumulate d OCI | Total Stockholders' Deficit |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------|-----------|----------------------------------|------------------|------------------------|------------------------|-----------------------------------|
| | Series A Shares | Series G Shares | Series I Shares | Series A Amount | Series G Amount | Series I Amount | Shares | Amount | | | | | |
| Balance at 12/31/2013 | 4,000,000 | - | 100 | \$ 4,000 | \$ - | \$ - | 639,485 | \$ 6 | 13,090.68 | \$ - | \$ (15,535,153) | \$ (2,550) | \$ (2,443,014) |
| Common Stock issued for cash | - | - | - | - | - | - | 469,300 | 5 | 766,495 | - | - | - | 766,500 |
| Common Stock issued for convertible debt conversion | - | - | - | - | - | - | 8,001,278 | 80 | 850,355 | 60,208 | - | - | 910,643 |
| Common Stock issued for services | - | - | - | - | - | - | 500 | - | 2,700 | - | - | - | 2,700 |
| Common Stock issued for deferred financing costs | - | - | - | - | - | - | 1,841 | - | 10,310 | 19,440 | - | - | 29,750 |
| Mezzanine shares no longer deemed temporary | - | - | - | - | - | - | 51,087 | 1 | 697,045 | - | - | - | 697,046 |
| Realized loss for other than temporary impairment | - | - | - | - | - | - | - | - | - | - | - | 2,550 | 2,550 |
| Settlement of Derivative Liability – Convertible Debt | - | - | - | - | - | - | - | - | 498,920 | - | - | - | 498,920 |
| Settlement of Derivative Liability - Gold | - | - | - | - | - | - | - | - | 2,223 | - | - | - | 2,223 |
| Interest on redeemable common stock | - | - | - | - | - | - | - | - | (29,288) | - | - | - | (29,288) |
| Donated Capital | - | - | - | - | - | - | - | - | 2,403 | - | - | - | 2,403 |
| Net loss for period | - | - | - | - | - | - | - | - | - | - | (3,260,401) | - | (3,260,401) |
| Balance at 12/31/2014 | 4,000,000 | - | 100 | \$ 4,000 | \$ - | \$ - | 9,163,491 | \$ 92 | 15,891.84 | \$ 79,648 | \$ (18,795,554) | \$ - | \$ (2,819,968) |
| Common Stock issued for convertible debt conversion | - | - | - | - | - | - | 1,052,893 | ,800 | 10,529 | 177,255 | - | - | 187,784 |
| Common Stock issued for fractional shares | - | - | - | - | - | - | 522 | - | - | - | - | - | - |
| Settlement of Derivative Liability – Convertible Debt | - | - | - | - | - | - | - | - | 335,379 | - | - | - | 335,379 |
| Net loss for period | - | - | - | - | - | - | - | - | - | - | (759,435) | - | (759,435) |
| Balance at 12/31/2015 | 4,000,000 | - | 100 | \$ 4,000 | \$ - | \$ - | 1,062,057,813 | \$ 10,621 | 16,404.48 | \$ 79,648 | \$ (19,554,987) | \$ - | \$ (3,056,239) |

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

NORTH BAY RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDING
DECEMBER 31, 2015 AND 2014

| | <u>12 months Ended</u> <u>December 31, 2015</u> | <u>12 months Ended</u> <u>December 31, 2014</u> |
|---|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Loss | \$ (759,435) | \$ (3,260,401) |
| Adjustments to reconcile Net Loss to net cash used in operations: | | |
| Gain on sale of claims | 124,208 | (2,000) |
| Common Stock issued for services | - | 2,700 |
| Loss on conversion of debt and deferred compensation | - | 131,317 |
| Amortization of discount on debt | 671,425 | 1,185,477 |
| Amortization of deferred financing cost | 54,398 | 107,097 |
| Amortization of gold advances discount | - | 4,289 |
| Change in derivative liability | (431,015) | (326,673) |
| Depreciation Expense | 93,361 | 100,319 |
| Accretion Expense | 304 | 504 |
| Extension Expense for convertible note | - | 150,000 |
| Extension Expense for Ruby mortgage | - | - |
| Gain on Forgiveness of Debt | (4,161) | - |
| Loss of Sale of Investment | 3,783 | - |
| Changes in operating assets and liabilities: | | |
| Prepaid Expenses | - | 20,453 |
| Accounts receivable | - | (1,515) |
| Other assets | - | 90,774 |
| Accrued expenses – related party | 173,000 | 127,150 |
| Accrued interest | 182,087 | 102,759 |
| Accounts Payable | 5,750 | 85,095 |
| Net Cash Used in Operating Activities | <u>113,705</u> | <u>(1,482,655)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash paid for purchase of fixed assets | - | - |
| Cash received from sales of claims | - | 2,000 |
| Proceeds from Fixed Asset Disposal | - | 1,000 |
| Cash Received in Sale of Investment | 9,260 | - |
| Investment received for claim sales | (155,755) | (100,000) |
| Net Cash Provided by/Used in Investing Activities | <u>(146,495)</u> | <u>(97,000)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Donated Capital | - | 2,403 |
| Proceeds from sale of redeemable common stock | - | - |
| Proceeds from sale of common stock | - | 766,500 |
| Repayment of Advances - Gold | - | (200,000) |
| Cash paid for deferred financing costs | - | (85,430) |
| Debt Repayments | (40,986) | (153,131) |
| Borrowings on convertible debt | 46,500 | 1,147,500 |
| Net Cash Provided by Financing Activities | <u>5,514</u> | <u>1,477,842</u> |
| Net cash increase (decrease) for period | <u>(27,276)</u> | <u>(101,813)</u> |
| Cash at beginning of period | 32,060 | 133,873 |
| Cash at end of period | <u><u>4,784</u></u> | <u><u>32,060</u></u> |
| Supplementary Cash Flow Information: | | |
| Cash Paid for Interest | - | 25,000 |
| Cash Paid for Taxes | - | - |
| Non-Cash Investing & Financing Activities: | | |
| Revision to Asset Retirement Obligation | \$ - | \$ 1,710 |
| Common stock issued for conversion of convertible debt | \$ 187,784 | \$ 805,827 |
| Common Stock issued for deferred financing costs | \$ - | \$ 10,310 |
| Common stock owed for deferred financing costs | \$ - | \$ 19,440 |
| Debt discount due to derivative liability | \$ 75,906 | \$ 1,512,758 |
| Settlement of Derivative liability | \$ 335,379 | \$ 498,920 |
| Settlement of gold derivative | \$ - | \$ 2,223 |
| Mezzanine shares returned to CS/APIC | \$ - | \$ 697,046 |
| Interest on Redeemable Common Stock | \$ - | \$ 29,288 |
| Unrealized loss on AFS | \$ - | \$ - |

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

**NORTH BAY RESOURCES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 GENERAL ORGANIZATION AND BUSINESS

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

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

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

NOTE 2 GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has generated modest revenues since inception and has never paid any dividends and is unlikely to pay dividends. The Company has accumulated losses since inception equal to \$19,554,987 as of December 31, 2015. These factors raise substantial doubt regarding the ability of the Company to continue as a going concern. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploration of economically recoverable reserves in its resource properties, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. The Company has had very little operating history to date. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reclassifications

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

Principles of Consolidation

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

Use of Estimates

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

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with a maturity of three months or less, when purchased, to be cash equivalents. There were no cash equivalents at December 31, 2015 and December 31, 2014. 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 or probable reserves, the costs incurred to develop and improve such property are capitalized. To date the Company has not established any proven or probable reserves on its mineral properties.

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

Purchase Options for Mining Property

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

Deferred Gains

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

Asset Retirement Obligation

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

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

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

Income Taxes

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

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

Fair Value of Financial Instruments

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

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

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

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

The Company values its derivative instruments related to embedded conversion features and warrants from the issuance of convertible debentures in accordance with the Level 3 guidelines. For the twelve month period ended December 31, 2015, the following table reconciles the beginning and ending balances for financial instruments that are recognized at fair value in these consolidated financial statements. The fair value of embedded conversion features that have floating conversion features and tainted common stock equivalents (warrants and convertible debt) are estimated using a Binomial Lattice model. The key inputs to this valuation model as of December 31, 2015, were: Volatility of 148% - 156%, 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%.

| | <u>Balance at December 31, 2014</u> | <u>New Issuances</u> | <u>Settlements</u> | <u>Changes in Fair Values</u> | <u>Balance at December 31, 2015</u> |
|---|---|--------------------------|---------------------|-----------------------------------|---|
| Level 3 – | | | | | |
| Derivative liabilities from: | | | | | |
| Conversion features – embedded derivative | \$ 753,258 | \$ 9,315 | \$ (191,186) | \$ (130,490) | \$ 440,897 |
| Conversion features – tainted equity | 630,472 | 66,591 | (144,193) | (300,442) | 252,428 |
| Warrants – tainted equity | 83 | - | - | (83) | - |
| | <u>\$ 1,383,813</u> | <u>\$ 75,906</u> | <u>\$ (335,379)</u> | <u>\$ (431,015)</u> | <u>\$ 693,325</u> |

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

The following table presents assets and liabilities that were measured and recognized at fair value as of December 31, 2014 and the year then ended on a recurring basis:

| Description | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total Unrealized Loss</u> |
|-------------------------------|----------------|----------------|----------------|--------------------------------------|
| Available For Sale Securities | \$ 33,956 | \$ - | \$ - | \$ - |
| Totals | \$ 33,956 | \$ - | \$ - | \$ - |

The following table presents assets that were measured and recognized at fair value as of December 31, 2015:

| Description | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total Unrealized Loss</u> |
|-------------------------------|----------------|----------------|----------------|--------------------------------------|
| Available For Sale Securities | \$ 72,821 | \$ - | \$ - | \$ - |
| Totals | \$ 72,821 | \$ - | \$ - | \$ - |

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of December 31, 2015 and December 31, 2014:

| | <u>Fair Value Measurements at December 31, 2015</u> | | |
|--------------------------|---|-----------------------|---------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
| Assets | | | |
| Cash | \$ 4,784 | \$ - | \$ - |
| Certificates of Deposit | 173,512 | - | - |
| Total assets | <u>178,296</u> | <u>-</u> | <u>-</u> |
| Liabilities | | | |
| Convertible notes | - | 1,525,279 | - |
| Derivative Liabilities | - | - | 693,325 |
| Note payable, Ruby | - | 1,697,055 | - |
| Notes payable, equipment | - | 7,761 | - |
| Total liabilities | <u>-</u> | <u>3,230,095</u> | <u>693,325</u> |
| | <u>\$ 178,296</u> | <u>\$ (3,230,095)</u> | <u>\$ (693,325)</u> |

| | Fair Value Measurements at December 31, 2014 | | |
|-------------------------|---|-----------------------|-----------------------|
| | Level 1 | Level 2 | Level 3 |
| Assets | | | |
| Cash | \$ 32,060 | \$ - | \$ - |
| Certificates of Deposit | 173,200 | - | - |
| Total assets | <u>205,260</u> | <u>-</u> | <u>-</u> |
| Liabilities | | | |
| Convertible notes | - | 1,045,512 | - |
| Derivative Liabilities | - | - | 1,383,813 |
| Note payable, Ruby | - | 1,697,055 | - |
| Note payable, equipment | - | 30,099 | - |
| Total liabilities | <u>-</u> | <u>2,772,666</u> | <u>1,383,813</u> |
| | <u>\$ 205,260</u> | <u>\$ (2,772,666)</u> | <u>\$ (1,383,813)</u> |

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

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the twelve months ended December 31, 2015 or the year ended December 31, 2014.

The Company had no other assets or liabilities valued at fair value on a recurring or non-recurring basis as of December 31, 2015 or December 31, 2014.

Stock Based Compensation

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

The Company from time to time may issue stock options, warrants and restricted stock to acquire goods or services from third parties. Restricted stock, options or warrants issued to other than employees or directors are recorded on the basis of their fair value, which is measured as of the date required by the Emerging Issues Task Force guidance related to accounting for equity instruments issued to non-employees. In accordance with this guidance, the options or warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying equity instrument on the “valuation date,” which for options and warrants related to contracts that have substantial disincentives to non-performance, is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. As of December 31, 2015 and December 31, 2014, no options or warrants related to compensation have been issued, and none are outstanding.

Beneficial Conversion Feature

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

Deferred Financing Costs

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

Accounting for Derivative Instruments

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

Lattice Valuation Model

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

Income/Loss Per Share of Common Stock

Basic net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents are not included in the computation of diluted earnings per share when the Company reports a loss because to do so would be anti-dilutive for the periods presented. As of December 31, 2015 and 2014, there were 55,487,688 and 57,987,688 common stock equivalents outstanding, respectively.

The following is a reconciliation of the computation for basic and diluted EPS for the full year ended December 31, 2015 and 2014, respectively:

| | <u>December 31, 2015</u> | <u>December 31, 2014</u> |
|---|--------------------------|--------------------------|
| Net Loss | \$ (759,435) | \$ (3,260,401) |
| Weighted-average common shares Outstanding (Basic) | 783,064,173 | 1,741,131 |
| Weighted-average common stock Equivalents | 55,487,688 | 57,987,688 |
| Deduction of stock Equivalents not included due to net loss | (55,487,688) | (57,987,688) |
| Weighted-average common shares Outstanding (Diluted) | <u>783,064,173</u> | <u>1,741,131</u> |
| Basic and Diluted Net Gain (Loss) per Share | \$ (0.00) | \$ (1.89) |

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

On November 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2014-16—Derivatives and Hedging (Topic 815): Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity (a consensus of the FASB Emerging Issues Task Force). The amendments in this Update do not change the current criteria in GAAP for determining when separation of certain embedded derivative features in a hybrid financial instrument is required. That is, an entity will continue to evaluate whether the economic characteristics and risks of the embedded derivative feature are clearly and closely related to those of the host contract, among other relevant criteria. The amendments clarify how current GAAP should be interpreted in evaluating the economic characteristics and risks of a host contract in a hybrid financial instrument that is issued in the form of a share. The effects of initially adopting the amendments in this Update should be applied on a modified retrospective basis to existing hybrid financial instruments issued in the form of a share as of the beginning of the fiscal year for which the amendments are effective. Retrospective application is permitted to all relevant prior periods.

On November 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2014-17—Business Combinations (Topic 805): Pushdown Accounting (a consensus of the FASB Emerging Issues Task Force). The amendments in this Update provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The amendments in this Update are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available to be issued, the application of this guidance would be a change in accounting principle.

On August 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2014-15, Presentation of Financial Statements – Going Concerns (Subtopic 205-40): Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern. The amendments require management to assess an entity's ability to continue as a going concern by incorporating and expanding upon certain principles that are currently in U.S. auditing standards. Specifically, the amendments (1) provide a definition of the term substantial doubt, (2) require an evaluation every reporting period including interim periods, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted.

In June 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-12, Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The new guidance requires that share-based compensation that require a specific performance target to be achieved in order for employees to become eligible to vest in the awards and that could be achieved after an employee completes the requisite service period be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation costs should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. This new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015. Early adoption is permitted. Entities may apply the amendments in this Update either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The adoption of ASU 2014-12 is not expected to have a material impact on our financial position or results of operations.

In June 2014, the FASB issued ASU No. 2014-10: Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation, to improve financial reporting by reducing the cost and complexity associated with the incremental reporting requirements of development stage entities. The amendments in this update remove all incremental financial reporting requirements from U.S. GAAP for development stage entities, thereby improving financial reporting by eliminating the cost and complexity associated with providing that information. The amendments in this Update also eliminate an exception provided to development stage entities in Topic 810, Consolidation, for determining whether an entity is a variable interest entity on the basis of the amount of investment equity that is at risk. The amendments to eliminate that exception simplify U.S. GAAP by reducing avoidable complexity in existing accounting literature and improve the relevance of information provided to financial statement users by requiring the application of the same consolidation guidance by all reporting entities. The elimination of the exception may change the consolidation analysis, consolidation decision, and disclosure requirements for a reporting entity that has an interest in an entity in the development stage. The amendments related to the elimination of inception-to-date information and the other remaining disclosure requirements of Topic 915 should be applied retrospectively except for the clarification to Topic 275, which shall be applied prospectively. For public companies, those amendments are effective for annual reporting periods beginning after December 15, 2014, and interim periods therein. Early adoption is permitted. The adoption of ASU 2014-10 is not expected to have a material impact on our financial position or results of operations.

In July 2013, FASB issued ASU No. 2013-11, *"Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists."* The provisions of ASU No. 2013-11 require an entity to present an unrecognized tax benefit, or portion thereof, in the statement of financial position as a reduction to a deferred tax asset for a net operating loss carryforward or a tax credit carryforward, with certain exceptions related to availability. ASU No. 2013-11 is effective for interim and annual reporting periods beginning after December 15, 2013. The adoption of ASU No. 2013-11 is not expected to have a material impact on the Company's Consolidated Financial Statements.

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*, to improve the transparency of reporting these reclassifications. Other comprehensive income includes gains and losses that are initially excluded from net income for an accounting period. Those gains and losses are later reclassified out of accumulated other comprehensive income into net income. The amendments in the ASU do not change the current requirements for reporting net income or other comprehensive income in financial statements. All of the information that this ASU requires already is required to be disclosed elsewhere in the financial statements under U.S. GAAP. The new amendments will require an organization to:

- Present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income - but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period; and
- Cross-reference to other disclosures currently required under U.S. GAAP for other reclassification items (that are not required under U.S. GAAP) to be reclassified directly to net income in their entirety in the same reporting period. This would be the case when a portion of the amount reclassified out of accumulated other comprehensive income is initially transferred to a balance sheet account (e.g., inventory for pension-related amounts) instead of directly to income or expense.

The amendments apply to all public and private companies that report items of other comprehensive income. Public companies are required to comply with these amendments for all reporting periods (interim and annual). The amendments are effective for reporting periods beginning after December 15, 2012, for public companies. Early adoption is permitted. The adoption of ASU No. 2013-02 is not expected to have a material impact on our financial position or results of operations.

In January 2013, the FASB issued ASU No. 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, which clarifies which instruments and transactions are subject to the offsetting disclosure requirements originally established by ASU 2011-11. The new ASU addresses preparer concerns that the scope of the disclosure requirements under ASU 2011-11 was overly broad and imposed unintended costs that were not commensurate with estimated benefits to financial statement users. In choosing to narrow the scope of the offsetting disclosures, the Board determined that it could make them more operable and cost effective for preparers while still giving financial statement users sufficient information to analyze the most significant presentation differences between financial statements prepared in accordance with U.S. GAAP and those prepared under IFRSs. Like ASU 2011-11, the amendments in this update will be effective for fiscal periods beginning on, or after January 1, 2013. The adoption of ASU 2013-01 is not expected to have a material impact on our financial position or results of operations.

NOTE 4 INVESTMENTS

On October 24, 2012, the Company entered into an agreement on its Willa property with Caribou King Resources Ltd. ("Caribou", or "CKR"), a Canadian issuer listed on the TSX Venture Exchange. Under the terms of Agreement, Caribou may earn up to a 100% interest in the Willa Claims by making aggregate payments to North Bay of USD \$232,500 in cash and issuing 1,000,000 shares of Caribou common stock. Of the aggregate payments, \$7,500 in cash and 500,000 shares are due upon receipt of regulatory acceptance of the agreement by the TSX Venture Exchange. Subsequent to TSX approval in November, 2012, and pursuant to the agreement, the Company received 500,000 shares of CKR stock. These shares were valued at \$25,050 based upon the closing price of CKR stock on the date the shares were issued. As of December 31, 2014, the market value of these shares was \$200, which resulted in a realized loss of \$22,300 for the year ended December 31, 2014. As of December 31, 2015, these shares were sold for \$2,808, resulting in a net realized loss of \$22,192.

On July 18, 2014, the Company executed a mineral property option agreement (the "Agreement") with Ximen Mining Corp. ("Ximen"), a Canadian issuer listed on the TSX Venture Exchange, pursuant to which Ximen may earn up to a 100% interest in the Company's "Brett West" and "Bouleau Creek" mineral claims (the "Brett West Claims") in southeastern British Columbia. Under the terms of Agreement, Ximen may earn up to a 100% interest in the Brett West Claims by making aggregate payments to North Bay of USD \$600,000, consisting of \$300,000 in cash and issuing \$300,000 in shares of Ximen common stock. Of the aggregate payments, \$100,000 in cash and \$100,000 in stock are due upon receipt of regulatory acceptance of the agreement by the TSX Venture Exchange, and equal payments of \$50,000 cash and \$50,000 in shares of Ximen stock are each due upon the 1st, 2nd, 3rd, and 4th 6-month anniversaries of the Agreement. Subsequent to TSX approval on September 5, 2014, and pursuant to the agreement, as of December 31, 2014, the Company received \$98,484 of the \$100,000 cash consideration due on closing, and received the \$1,515 balance due subsequent to December 31, 2014, which was accounted for as accounts receivable as of December 31, 2014. As of December 31, 2014 the Company also received 217,391 shares of Ximen stock. These shares were valued at \$100,000 based upon the closing price of Ximen stock on the date the shares were issued. As of December 31, 2015 and December 31, 2014, the market value of these shares was \$33,756 and \$33,756, respectively. The loss was \$68,794 for the year ended December 31, 2015.

NOTE 5 RUBY MINE ACQUISITION

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

On June 1, 2011, the Company exercised its option to purchase the Ruby Mine and made a final option payment of \$85,000 to open escrow. On July 1, 2011, escrow was closed and the acquisition of the Ruby Mine was completed. During the preceding option period and as of the closing date, the Company has made payments totaling \$510,000 to RDC, consisting of \$360,000 cash and 50,000 shares of common stock valued at \$150,000. These payments were credited towards the purchase price, thereby reducing the outstanding principal due to \$1,990,000. The mortgage is to be paid in full by December 30, 2015 pursuant to amendments to the agreement executed on December 12, 2012, March 28, 2013, and November 19, 2013. The seller has also been granted 10 million 5-year warrants exercisable at 2 cents, 2 million 5-year warrants exercisable at 9 cents, 2 million 5-year warrants exercisable at 10 cents, and 4 million 5-year warrants exercisable at 4 cents. Pursuant to the aforementioned amendment dated November 19, 2013, the term of all of the outstanding warrants issued to the seller has been extended to December 30, 2018.

On the transaction closing date of July 1, 2011, the Company issued a promissory note to RDC for \$1,990,000 plus 3% interest per annum. The note, as amended, is due on or before December 30, 2015, and currently accrues interest at 8% per annum. As of December 31, 2015 and December 31, 2014, the outstanding balance due on the note is \$1,697,055 and \$1,697,055, respectively.

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

All costs related to the acquisition of the property have been capitalized when incurred. All other costs have been expensed when incurred.

As of the date of this report, the Company has defaulted on the Ruby promissory note, and the Ruby Mine has been forfeited, resulting in a total loss.

NOTE 6 PROPERTY, PLANT, EQUIPMENT AND MINERAL CLAIM ASSETS

As of December 31, 2015 and December 31, 2014, components of property, plant, and equipment and mineral assets were as follows:

| | December 31, 2015 | December 31, 2014 |
|-------------------------------------|------------------------------|------------------------------|
| Buildings | \$ 558,885 | \$ 558,885 |
| Machinery and equipment | 137,820 | 137,820 |
| Vehicles | 281,602 | 281,602 |
| Total property, plant and equipment | <u>978,307</u> | <u>978,307</u> |
| Less: accumulated impairment (1) | (124,343) | (124,343) |
| Less: accumulated depreciation(2) | <u>(440,606)</u> | <u>(347,245)</u> |
| Property, plant and equipment, net | <u>\$ 413,358</u> | <u>\$ 506,719</u> |
| | December 31, 2015 | December 31, 2014 |
| Mining claims | \$ 1,792,660 | \$ 1,792,660 |
| Asset retirement costs | 3,118 | 3,118 |
| Total mineral claim assets | <u>1,795,778</u> | <u>1,795,778</u> |
| Less: accumulated depletion(2) | <u>-</u> | <u>-</u> |
| Mining claims, net | <u>\$ 1,795,778</u> | <u>\$ 1,795,778</u> |

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

(2) Depreciation expense totaled \$93,361 and \$100,319 for the twelve months ended December 31, 2015 and 2014, respectively. Depletion expense totaled \$0 and \$0 for the twelve months ended December 31, 2015 and 2014, respectively.

NOTE 7 DEBT

On July 24, 2015, the Company issued a \$100,000 Convertible Promissory Note ("the Zaco Note") to Zaco Investments LLC ("Zaco", or "the Lender"). The interest rate on the Note is 5% per annum, and the Note has a maturity date of twelve (12) months from the Effective Date. The Principal Sum due to the Lender shall be 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 Registrant is not required to repay any unfunded portion of the Note. The initial tranche received from this transaction was \$10,000. The Company retains the option of pre-paying the Note at no penalty. Unless the Note is repaid in cash within 180 days, the Lender has the right 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 at a 20% discount to the average of the two lowest volume weighted average prices (VWAP) on the previous fifteen (15) trading days to the date of Conversion. The debt discount resulting from the derivative was valued on the date of grant to be \$10,000 on the note. This value was recorded as a discount on debt and offset to derivative liability. This resulted in a total discount limited to the Note principal of \$10,000 including

amortization of \$5,101 and \$4,139 discount as of September 30, 2015. As of December 31, 2015, the principal balance due was \$5,956 net of \$4,139 discount, which includes \$95 in accrued interest.

During 2015, the Company received \$20,000 in cash advances from a shareholder, collateralized by the Company's ownership of 217,391 shares of Ximen Mining Corp. As of December 31, 2015, this loan has been repaid in full.

The following table summarizes all of the Convertible Notes outstanding as of December 31, 2015 and December 31, 2014:

| | December 31, 2015 | December 31, 2014 |
|---|------------------------------|------------------------------|
| Mortgage payable – Ruby Mine | \$ 1,697,055 | \$ 1,697,055 |
| Secured note payable with annual interest rate of 8% | 7,761 | 30,099 |
| Discount on note payable | - | - |
| Net note payable | <u>1,704,816</u> | <u>1,727,154</u> |
| Convertible notes: | | |
| Secured convertible notes payable with annual interest rate of 10% | 241,341 | 220,000 |
| Unsecured convertible notes payable with annual interest rate of 10% | 84,059 | 195,279 |
| Unsecured convertible notes payable with annual interest rate of 9.9% | 250,000 | 275,000 |
| Unsecured convertible notes payable with annual interest rate of 8% | 171,444 | 298,500 |
| Unsecured convertible notes payable with annual interest rate of 7% | 684,450 | 486,968 |
| Unsecured convertible notes payable with annual interest rate of 6% | 10,421 | - |
| Unsecured convertible notes payable with annual interest rate of 5% | 250,549 | 332,275 |
| Discount on debt from derivative valuation | (166,985) | (762,510) |
| Total convertible notes | <u>1,525,279</u> | <u>1,045,512</u> |
| Total Debt | <u>\$ 3,230,095</u> | <u>\$ 2,772,666</u> |

NOTE 8 DEFERRED FINANCING COSTS

Deferred financing costs include debt issuance costs primarily incurred by the Company as part of Convertible Note transactions. Deferred financing costs as of December 31, 2015 was \$3,151. Deferred financing costs as of December 31, 2014 was \$31,049 net of accumulated amortization \$50,575. Amortization expense for deferred financing costs for the years ended December 31, 2014 and 2013 was \$107,097 and \$34,936, respectively.

These costs include commissions paid to Carter Terry & Company, a registered broker-dealer, consisting of \$55,620 in cash. These amounts were capitalized to Deferred Financing Costs and amortized over the term of the note. Amortization is provided on a straight-line basis over the terms of the respective debt instruments to which the costs relate and is included in interest expense. The difference between the straight line and effective interest methods is immaterial due to the short term nature of the convertible notes.

During the twelve month period ending December 31, 2014, 1,841 restricted shares of common stock of the Company valued at \$10,310 were issued to Carter Terry & Company as part of their commission package. As of December 31, 2015, \$19,440 in stock payable related to deferred financing costs remains due.

NOTE 9 DERIVATIVE LIABILITIES

During the year ended December 31, 2015, the Company issued one additional convertible note for consideration of \$10,000, and an additional \$38,000 was drawn from existing notes, which was considered tainted upon issuance. The related derivative liability of this draw was valued at inception and equal to \$16,364 net of \$25,901 debt discount. In addition, the Company settled \$335,379 in stock conversions, which resulted in a settlement of derivative liabilities to additional paid-in capital of \$335,379. All instruments with embedded derivative liabilities or included in the derivative liability due to the tainted equity environment were re-valued at December 31, 2015, with all changes flowing through the gain/loss on derivative for a total gain on derivative of \$431,015 for the nine months ended December 31, 2015. The derivative liability related to convertible debt was valued at \$693,325, and the derivative liability related to warrants was nil.

During the year ended December 31, 2014, the Company issued additional convertible notes totaling \$1,147,500, which were considered tainted upon issuance. The related derivative liability was valued at inception and equal to \$1,701,255 from a \$188,497 loss and a \$1,512,758 discount. In addition, the Company retired \$503,503 in stock conversions, which resulted in a settlement of derivative liabilities to additional paid in capital of \$850,355. All instruments with embedded derivative liabilities or included in the derivative liability due to the tainted equity environment were re-valued at December 31, 2014, with all changes flowing through the gain/loss on derivative for a total gain on derivative of \$326,673 for the twelve months ended December 31, 2014. The derivative liability related to convertible debt was valued at \$1,383,730, and the derivative liability related to warrants was \$83 as of December 31, 2014.

The following shows the changes in the derivative liability measured on a recurring basis for the twelve months ended December 31, 2015, and December 31, 2014.

| | |
|--|-------------------|
| Derivative Liability at December 31, 2014 | \$ 1,383,813 |
| (Gain)Loss on Derivative Liability | (431,015) |
| Settlement to APIC from Conversion | (335,379) |
| Additions to Liability for Convertible Debt recorded as debt discount | 75,906 |
| Additions to Liability for Convertible Debt expensed due to value of derivative exceeding debt | - |
| Derivative Liability at December 31, 2015 | <u>\$ 693,325</u> |

The following tabular presentation reflects the components of derivative financial instruments on the Company's balance sheet at December 31, 2015 and December 31, 2014:

| Derivative Liabilities: | <u>December 31,</u> <u>2015</u> | <u>December 31,</u> <u>2014</u> |
|---|------------------------------------|------------------------------------|
| Embedded derivative liability in convertible debt | \$ 440,897 | \$ 753,258 |
| Derivative liability due to tainted equity – convertible debt | 252,428 | 630,472 |
| Derivative liability due to tainted equity – warrants | - | 83 |
| Total Derivative Liability | <u>\$ 693,325</u> | <u>\$ 1,383,813</u> |

NOTE 10 COMMITMENTS AND CONTINGENCIES

As of December 31, 2015 and December 31, 2014, 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. 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.

We are not party to any significant pending legal proceedings that management believes will result in material adverse effect on our financial condition or results of operations.

NOTE 11 STOCK SPLITS

On February 18, 2005, the Company effected a 4 for 1 forward stock split of our common shares. On March 12, 2006, and on February 7, 2008, the Company effected 1 for 10 reverse stock splits. On February 17, 2015, the Company effected a 1 for 200 reverse stock split. All information presented herein has been retrospectively adjusted to reflect these stock splits as they took place as of the earliest period presented.

NOTE 12 INCOME TAXES

As of December 31, 2015 and 2014, the Company had net operating loss carry-forwards totaling approximately \$7,554,308 and \$6,794,873, respectively, that begin to expire in 2025. The carry-forward losses and the related deferred tax benefit are significantly limited by the provisions of Internal Revenue Code Section 382. The Company's taxable losses and temporary differences created a deferred tax asset before valuation allowances of approximately \$2,644,008 and \$2,407,082 at December 31, 2015 and 2014, respectively. Due to the Company determining that it will not likely realize the deferred tax asset, a full valuation allowance has been taken to reduce the deferred tax asset to zero as of December 31, 2014 and 2013, respectively.

In 2015 and 2014, the primary difference between financial statement reporting and taxable income (loss) was expenses not deductible for tax purposes including non-cash share based payments issued for services, amortization of discounts on debt, and gains from non-cash exchanges of \$988,238 and \$988,238, respectively. Temporary differences between financial statement reporting loss and taxable loss were due to differences in timing of recognition for expenses related to deferred compensation and depreciation of fixed assets.

The deferred tax assets as of December 31, 2015 and 2014 are as follows:

| | <u>2015</u> | <u>2014</u> |
|--|------------------|------------------|
| Deferred Tax Asset: | | |
| Net Operating Loss Carryforwards | \$ 6,794,873 | \$ 4,605,214 |
| Current Year Net Operating Loss/(Gain) | 759,435 | 2,189,659 |
| Total Operating Loss Carryforward | <u>7,554,308</u> | <u>6,794,873</u> |

| | | |
|--|-------------|-------------|
| Enacted Future Tax Rate | 35% | 35% |
| Deferred Tax Asset for NOL | 2,644,008 | 2,378,206 |
| Deferred Tax Asset for Temporary Differences Between Book and Tax Income | - | 28,876 |
| Gross Deferred Tax Asset | 2,644,008 | 2,407,082 |
| Valuation Allowance | (2,644,008) | (2,407,082) |
| Net Deferred Tax Asset | \$ - | \$ - |

NOTE 13 DEFERRED COMPENSATION/NQDC

The Company has adopted an unfunded Non-Qualified Deferred Compensation (NQDC) plan to compensate our Chief Executive Officer. Under this plan, the Company is not required to reserve funds for compensation, and is only obligated to pay compensation when and if funds are available. Any amounts due but unpaid automatically accrue to deferred compensation. The plan has the option to be renewed annually at the discretion of the Company. While unfunded and non-recourse, for compliance with GAAP this is disclosed as an accrued expense on the balance sheet. On April 28, 2011, the Company issued 10,000 shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by \$180,000. The shares were valued at the closing market price of our common stock on the date of issuance. On December 9, 2013, the Company issued 25,000 shares of common stock to our Chief Executive Officer to reduce the aggregate amount of deferred compensation owed to him by \$180,000. The shares were valued at the closing market price of our common stock on the date of issuance, which was equal to the deferred compensation relieved. As of December 31, 2015 and December 31, 2014, the outstanding balance of the NQDC plan is \$1,120,624 and \$947,624, respectively.

NOTE 14 ASSET RETIREMENT OBLIGATIONS

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

The following table illustrates the inputs used to calculate the current Asset Retirement Obligation as of December 31, 2015 and December 31, 2014.

| | | |
|--|----|------------------------------------|
| Cost estimate for reclamation work at today's cost | \$ | 172,914 |
| Estimated life of mine (years) | | 50 |
| Risk adjusted rate (borrowing rate) | | 9.9% |
| Estimated inflation rate | | 2.2% |
| | | Asset Retirement Obligation |
| Asset retirement obligation at 12/31/14 | \$ | 4,952 |
| Adjustment | | - |
| Accretion Expense | | 304 |
| Asset retirement obligation at 12/31/15 | \$ | 5,256 |

NOTE 15 RELATED PARTY TRANSACTIONS

In August 2009, the Board of Directors approved and the Company executed a management agreement with The PAN Network ("PAN"), a private business management and consulting company wholly-owned by the Company's Chief Executive Officer. The agreement is in consideration of \$18,000 per month, and calls for PAN to provide (a) office and board room space, including reception, utilities, landline phone/fax, computers, copiers, projectors, and miscellaneous services; (b) financial services, including accounting, corporate filing and bookkeeping; (c) project and administrative services; (d) resource targeting, acquisition, development and management services; (e) marketing services, communications, marketing materials management, and writing services; (f) strategic planning, milestone management and critical path analysis; and (g) online services, including web site hosting, web site design, web site maintenance, and email services. The agreement includes Mr. Leopold's salary of \$15,000 per month, which will accrue entirely to deferred compensation during any period in which the commitment remains unpaid. The term of the agreement is one year, and automatically renews annually on January 1 each year unless otherwise terminated by either party. As of December 31, 2015 and December 31, 2014, the outstanding balance accrued to deferred compensation is \$1,120,624 and \$947,624, respectively.

During the twelve month period ended December 31, 2014, a director of the Company purchased 3.71 ounces of specimen gold from Ruby Gold, Inc., for \$6,850, representing a 50% premium above the spot price of gold on the date of the transactions. \$4,447 of this

amount was recorded as gold sales, with \$2,403 recorded as donated capital.

NOTE 16 ADVANCE GOLD SALES

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

On August 2, 2013, the Company sold an additional 40 ounces of gold under the same terms for \$50,000. In the event that the 40 ounces of specimen gold is not available for delivery by the Due Date on April 2, 2014, the Investor will be entitled to be repaid the Advance in cash plus 10% interest equal to \$55,000 total, with an option to still purchase the same amount of gold at a discount of 10% to the then-current spot price of gold when the specimen gold becomes available for delivery at a later date. As of December 31, 2014, the Company has repaid the cash advance in its entirety, plus interest.

The related obligations have been recorded for the full \$200,000 received and an additional \$22,223 recorded as a derivative liability represents the additional amount owed related to the 10% discount on the gold price. This discount of \$22,223 was amortized straight line over the term of the agreement, with \$4,289 amortized during 2014, and has been fully amortized as of December 31, 2014.

NOTE 17 SHARE ISSUANCES

During 2014, the Company issued a total of 469,300 shares of common stock previously registered with the SEC for issuance to Tangiers Investors LP ("Tangiers") pursuant to a Securities Purchase Agreement entered into with Tangiers on October 7, 2009, as amended, in consideration of cash received of \$766,500.

During 2014, and pursuant to two partial conversion notices received, the Company issued an aggregate of 645,643 shares of common stock of the Company to satisfy \$85,629 of the principal and interest due on a Promissory Note dated October 2, 2012 with Tangiers Investors, LP, ("Tangiers").

During 2014, and pursuant to a conversion notice received, the Company issued 20,772 shares of common stock of the Company to satisfy \$59,325 of the principal and interest due on a Promissory Note dated October 7, 2013 with LG Capital Funding LLC ("LG").

During 2014, and pursuant to eleven partial conversion notices received, the Company issued an aggregate of 441,047 shares of common stock of the Company to satisfy \$151,217 of the principal and interest due on a Promissory Note ("the Note") dated July 11, 2012 with JMJ Financial, ("JMJ"). The number of shares issued was consistent with the terms of the agreement, therefore equity was credited for the value of the debt relieved with no gain or loss recorded.

During 2014, and pursuant to ten partial conversion notices received, the Company issued an aggregate of 1,262,920 shares of common stock of the Company to satisfy \$302,565 of the principal and interest due on a Promissory Note dated October 1, 2013 with Typenex Co-Investment, LLC ("Typenex"). Included in the 1,262,920 shares was \$44,530 in true-up shares.

During 2014, and pursuant to ten partial conversion notices received, the Company issued 687,373 shares of common stock of the Company to satisfy \$56,810 of the principal and interest due on a Promissory Note ("the Note") dated January 31, 2014 with GEL Properties, LLC ("GEL").

During 2014 and pursuant to eight partial conversion notices received, the Company issued 845,634 shares of common stock of the Company to satisfy \$33,992 of the principal and interest due on a Promissory Note ("the Note") dated March 13, 2014 with Union Capital LLC ("Union").

During 2014 and pursuant to a partial conversion notice received, the Company issued 84,946 shares of common stock of the Company to satisfy \$9,514 of the principal and interest due on a Promissory Note ("the Note") dated April 10, 2014 with Caesar Capital Group, LLC ("Caesar").

During 2014 and pursuant to ten partial conversion notices received, the Company issued 858,750 shares of common stock of the Company to satisfy \$48,360 of the principal and interest due on a Promissory Note ("the Note") dated March 27, 2014 with Beaufort Capital Partners LLC ("Beaufort").

During 2014 and pursuant to six partial conversion notices received, the Company issued an aggregate of 1,333,355 shares of common stock of the Company to satisfy \$24,741 of the principal and interest due on a Promissory Note ("the Note") dated April 21, 2014 with WHC Capital, LLC ("WHC").

During 2014, and pursuant to ten conversion notices received, the Company issued 1,820,838 shares of common stock of the Company to satisfy \$33,672 of the principal and interest due on a Promissory Note dated February 3, 2014 with LG Capital Funding LLC ("LG").

During 2014, the Company issued 1,841 restricted shares of common stock of the Company to Carter Terry & Company, a registered broker-dealer, for accrued commissions in connection with the Typenex Note. The shares were valued at \$10,310 based on the closing market price on the date of the grant.

During 2014, \$19,440 in stock payable (7,155 shares) is due to Carter Terry & Company, a registered broker-dealer, as additional commissions payable but not yet issued.

During 2014, the Company issued 500 shares of restricted common stock to William S. Watters, the new COO of our wholly-owned subsidiary, Ruby Gold, Inc., as a signing bonus. The shares were valued at \$2,700 based on the closing market price on the date of grant.

During 2014 the Company filed a Certificate of Amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware (the "Amendment") to increase Company's authorized shares of common stock to 7,500,000,000 shares, par value \$0.00001 per share.

During 2015, the Company filed a Certificate of Amendment to its Certificate of Incorporation with the Secretary of State of the State of Delaware to implement a 1-for-200 reverse stock split of the Company's outstanding common stock. The reverse stock split became effective on February 17, 2015. An additional 522 shares were issued to round up fractional shares as a result of the reverse stock split.

During 2015, and pursuant to six partial conversion notices received, the Company issued an aggregate of 42,279,299 shares of common stock of the Company to satisfy \$15,941 of the principal and interest due on a Promissory Note dated July 14, 2014 with JSJ Investments Inc.

During 2015, and pursuant to eleven partial conversion notices received, the Company issued an aggregate of 139,331,250 shares of common stock of the Company to satisfy \$20,555 of the principal and interest due on a Promissory Note dated April 21, 2014 with WHC Capital, LLC.

During 2015, and pursuant to fifteen partial conversion notices received, the Company issued an aggregate of 279,977,381 shares of common stock of the Company to satisfy \$45,572 of the principal and interest due on a Promissory Note dated October 2, 2012 with Tangiers Investors LP.

During 2015, and pursuant to seven partial conversion notices received, the Company issued an aggregate of 138,205,000 shares of common stock of the Company to satisfy \$27,285 of the principal and interest due on a Promissory Note dated October 1, 2013 with Typenex Co-Investment, LLC.

During 2015, and pursuant to seventeen partial conversion notices received, the Company issued an aggregate of 88,409,784 shares of common stock of the Company to satisfy \$28,050 of the principal and interest due on a Promissory Note dated August 6, 2014 with KBM Worldwide, Inc.

During 2015, and pursuant to eleven partial conversion notices received, the Company issued an aggregate of 197,050,000 shares of common stock of the Company to satisfy \$22,222 of the principal and interest due on a Promissory Note dated July 11, 2012 with JMJ Financial.

During 2015, and pursuant to ten conversion notices received, the Company issued an aggregate of 105,141,086 shares of common stock of the Company to satisfy \$20,558 of the principal and interest due on a Promissory Note dated February 3, 2014 with LG

Capital Funding LLC.

During 2015, and pursuant to a conversion notice received, the Company issued an aggregate of 62,500,000 shares of common stock of the Company to satisfy \$7,600 of the principal and interest due on a Promissory Note dated August 7, 2014 with RLS Premiere Financial LLC.

NOTE 18 WARRANTS

A summary of activity related to the Company's warrant activity for the period from December 31, 2014 through December 31, 2015 is presented below:

| | Number Outstanding | Weighted Average Exercise Price Per Share | Weighted Average Remaining Contractual Life (Years) |
|----------------------------------|-------------------------------|--|--|
| Outstanding at December 31, 2014 | 23,550,000 | 0.045 | 3.75 |
| Granted | - | - | - |
| Exercised | - | - | - |
| Canceled/forfeited/expired | 2,500,000 | - | - |
| Outstanding at December 31, 2015 | 21,050,000 | 0.045 | 2.75 |

NOTE 19 SUBSEQUENT EVENTS

Subsequent to December 31, 2015, and pursuant to a conversion notice received, the Company issued 50,000,000 shares of common stock of the Company to satisfy \$4,000 of the principal and interest due on a Promissory Note dated August 7, 2014 with RLS Premiere Financial LLC