

**N**ORTH BAY RESOURCES INC.

*Q2 2010*  
*FINANCIAL STATEMENTS*

**NORTH BAY RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**UNAUDITED BALANCE SHEETS**  
**AS OF JUNE 30, 2010 AND DECEMBER 31, 2009**

	<u>Jun. 30, 2010</u>	<u>Dec. 31, 2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 34,240	\$ 41,123
Investments	-	3,950
Prepaid Expenses	12,410	12,410
Accounts Receivable	10,000	-
<b>Total Current Assets</b>	<u>56,650</u>	<u>57,483</u>
<b>TOTAL ASSETS</b>	<u>\$ 56,650</u>	<u>\$ 57,483</u>
<b>LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Deferred Compensation	\$ 751,473	\$ 656,310
Convertible Notes Payable	17,500	-
<b>Total Current Liabilities</b>	<u>768,973</u>	<u>656,310</u>
<b>Total Liabilities</b>	768,973	656,310
<b>Stockholders' Deficit</b>		
Preferred stock, Series I, \$0.001 par value, 100 shares authorized, 100 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	-	-
Convertible Preferred stock, Series A, \$0.001 par value, 8,000,000 shares authorized, 4,000,000 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	4,000	4,000
Convertible Preferred stock, Series G, \$0.001 par value, 1,500,000 shares authorized, 100,000 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	100	100
Common stock, \$0.001 par value, 250,000,000 shares authorized, 70,186,434 and 58,597,287 shares issued and outstanding at June 30, 2010 and December 31, 2009, respectively	70,186	58,597
Additional Paid-In Capital	9,399,935	9,246,214
Stock Payable	-	115,310
Deficit Accumulated During Exploration Stage	(10,186,544)	(10,023,048)
<b>Total Stockholders' Deficit</b>	<u>(712,323)</u>	<u>(598,827)</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>	<u>\$ 56,650</u>	<u>\$ 57,483</u>

The accompanying notes are an integral part of these financial statements

**NORTH BAY RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF OPERATIONS**  
**FOR THE SIX MONTH PERIODS ENDING**  
**JUNE 30, 2010 & 2009 (Unaudited)**  
**AND THE PERIOD FROM**  
**JUNE 18, 2004 (INCEPTION) THROUGH JUNE 30, 2010 (Unaudited)**

	6 months ended June 30, 2010	6 months ended June 30, 2009	Inception (June 18, 2004) through June 30, 2010
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenues</b>			
Retail Sales	\$ -	\$ -	\$ 40,567
Cost of Revenue	<u>-</u>	<u>-</u>	<u>49,070</u>
<b>Gross Profit (Loss)</b>	-	-	(8,503)
<b>Operating Expenses</b>			
Commissions & Consulting Fees	-	44,925	259,784
General & Administrative Costs	147,045	131,810	9,038,281
Mining Property Costs	29,163	18,210	782,876
Professional Services	<u>12,750</u>	<u>3,000</u>	<u>72,883</u>
<b>Total Operating Expenses</b>	<u>188,958</u>	<u>197,945</u>	<u>10,153,824</u>
<b>Net Operating Loss</b>	(188,958)	(197,945)	(10,162,327)
<b>Other Income (Expenses)</b>			
Gain on Mineral Claim Sales & JVs	15,550	40,859	303,186
Interest Income	42	-	104
Interest Expense	(5)	-	(74,248)
Loss on Conversion of Debt	-	(12,500)	(137,000)
Bad Debt Expense	-	-	(19,149)
Realized Gain/Loss on Investment	<u>9,875</u>	<u>-</u>	<u>(97,110)</u>
<b>Net Other Income (Expenses)</b>	<u>25,462</u>	<u>28,359</u>	<u>(24,217)</u>
<b>Net Loss</b>	<u>\$ (163,496)</u>	<u>\$ (169,586)</u>	<u>\$ (10,186,544)</u>
<b>Weighted Average Shares Outstanding (Basic and Diluted)</b>	68,878,241	34,821,463	
<b>Basic and Diluted Net Loss per Share</b>	(\$0.00)	(\$0.00)	

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**NORTH BAY RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
**FOR THE PERIOD**  
**JUNE 18, 2004 (INCEPTION) THROUGH JUNE 30, 2010 (Unaudited)**

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

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	Preferred Stock			Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated OCI	Total Stockholders' Equity (Deficit)
	Series A Shares	Series I Shares	Amount	Shares	Amount				
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)
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	-	-	-

The accompanying notes are an integral part of these financial statements

	Preferred Stock			Common Stock			Additional Paid-In Capital	Accumulated Deficit	Accumulated OCI	Total Stockholders' Equity (Deficit)
	Series A Shares	Series I Shares	Amount	Shares	Amount					
Shares bought back and retired	-	-	-	(200,000)	(200)	(1,800)	-	-	-	(2,000)
Net loss for year	-	-	-	-	-	-	(1,490,871)	-	-	(1,490,871)
Balance at 12/31/2007	-	100	\$ -	16,522,261	\$ 16,522	\$ 8,513,664	\$ (8,907,591)	-	-	\$ (377,405)
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)

The accompanying notes are an integral part of these financial statements

	Preferred Stock			Common Stock			Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Equity (Deficit)
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I Amount							
Common Stock issued for services	-	-	-	-	-	-	2,500,000	2,500	27,250	-	-	-	29,750
Preferred Stock issued for services	4,000,000	100,000	-	4,000	100	-	-	-	249,685	-	-	-	253,785
Common Stock issued for cash	-	-	-	-	-	-	21,800,000	21,800	151,200	-	-	-	173,000
Common Stock issued for deferred compensation	-	-	-	-	-	-	10,000,000	10,000	177,500	-	-	-	187,500
Loss realized on AFS Securities	-	-	-	-	-	-	-	-	-	-	-	(22,780)	(22,780)
Stock payable for commitment fee on equity offering	-	-	-	-	-	-	-	-	(115,310)	115,310	-	-	(115,310)
Net loss for year	-	-	-	-	-	-	-	-	-	-	(786,979)	-	(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	\$(10,023,048)	\$ -	\$ (598,827)

The accompanying notes are an integral part of these financial statements

	Preferred Stock			Common Stock			Shares	Amount	Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Accumulated OCI	Total Stockholders' Equity (Deficit)
	Series A Shares	Series G Shares	Series I Shares	Series A Amount	Series G Amount	Series I 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	-	-	-	50,000
Net loss for period	-	-	-	-	-	-	-	-	-	-	(163,496)	-	(163,496)
Balance at 6/30/2010	4,000,000	100,000	100	\$ 4,000	\$ 100	-	70,186,434	\$ 70,186	\$9,399,935	-	\$(10,186,544)	\$ -	\$ (712,323)

The accompanying notes are an integral part of these financial statements

**NORTH BAY RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTH PERIODS ENDING**  
**JUNE 30, 2010 AND 2009 (Unaudited)**  
**AND THE PERIOD FROM**  
**JUNE 18, 2004 (INCEPTION) THROUGH JUNE 30, 2010 (Unaudited)**

	6 Months Ended	6 Months Ended	Inception (June 18, 2004)
	June 30, 2010	June 30, 2009	Through June 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Loss	\$ (163,496)	\$ (169,586)	\$ (10,186,544)
Adjustments to reconcile Net Loss			
to net cash used in operations:			
Gain on sale of claims, non-cash	-	-	(110,935)
Preferred Stock issued to related party for services	-	-	253,785
Common Stock issued for services	-	29,750	5,110,017
Common Stock issue for mining exploration stage properties	-	-	351,400
Common Stock issued as interest on loan	-	-	1,500
Loss on conversion of debt and accrued salaries	-	12,500	2,150,513
Loss on AFS securities "other than temporary"	-	-	106,985
Gain realized on transfer of AFS - securities	(9,875)	-	(9,875)
Additional compensation from excess value of AFS - securities over the value of the accrued salary converted	987	-	987
Bad debt expense	-	-	19,149
Interest on Beneficial Conversion Feature	-	-	62,000
Changes in operating assets and liabilities:			
Other Current Assets	(10,000)	(34,059)	(41,559)
Accrued Expenses	108,001	78,021	874,311
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net cash used in Operating Activities	(74,383)	(83,374)	(1,418,266)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash Provided by Investing Activities	-	-	-
Net Cash Provided by Investing Activities	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale of stock	50,000	98,000	755,700
Contribution from related party	-	-	244,994
Shares re-purchased and retired	-	-	(2,000)
Borrowings on convertible debt	17,500	-	453,812
Net cash provided by Financing Activities	67,500	98,000	1,452,506
Net cash increase/(decrease) for period	(6,883)	14,626	50,198
Cash at beginning of year	41,123	3,471	-
Cash at end of period	<u>\$ 34,240</u>	<u>\$ 18,097</u>	<u>\$ 34,240</u>
<b>Supplementary Cash Flow Information:</b>			
Cash Paid for Interest	\$ -	\$ -	\$ -

<b>Cash Paid for Taxes</b>	\$	-	\$	-	\$	-
<b>Non-Cash Investing &amp; Financing Activities:</b>						
<b>Common Stock Issued For Preferred Shares</b>	\$	-	\$	-	\$	2,400
<b>Common Stock Issued For Conversion of debt and accrued salary</b>	\$	-	\$	-	\$	253,912
<b>Unrealized Loss on Available For Sale Securities</b>	\$	-	\$	119,890	\$	-
<b>Stock issued for stock payable</b>	\$	115,310	\$	-	\$	115,310
<b>Unrealized gain on available for sale securities</b>	\$	-	\$	-	\$	22,780
<b>Accrued salary relieved for shares issued</b>	\$	-	\$	25,000	\$	100,000
<b>Common and preferred shares issued as founders shares</b>	\$	-	\$	-	\$	3,040
<b>Transfer of available for sale securities to relieve accrued salary</b>	\$	12,838	\$		\$	12,838
<b>Stock payable for commitment fee on equity offering</b>	\$	-	\$	-	\$	115,310

The accompanying notes are an integral part of these financial statements

**NORTH BAY RESOURCES INC.**  
**(AN EXPLORATION STAGE COMPANY)**  
**NOTES TO UNAUDITED 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 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.

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 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 \$10,186,544 as of June 30, 2010. 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 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**

**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 June 30, 2010 and December 31, 2009. The Company maintains cash and cash equivalent balances at one financial institution that are insured by the Federal Deposit Insurance Corporation up to \$250,000.

**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- 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 and 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**

The Company has been in the exploration stage since it entered the Mining Sector on March 10, 2006 and has not yet realized any revenues from mining operations. During this time, the company has staked various mineral claims in British Columbia, Canada. These claims grant certain rights to minerals within the staked claim and are renewable annually. These claims in themselves do not give the Company authority to extract and in some cases explore minerals within the claim. Due to limitations on the legal ability of the Company to explore and extract minerals within the claims, these claims did not meet the GAAP requirements to be classified as mineral rights pursuant to ASC 805-20-55-37. ASC 805-20-55-37 defines mineral rights as the legal right to explore, extract, and retain at least a portion of the benefits from mineral deposits. Based on the mineral claims not meeting the criteria to be classified as mineral rights, the costs were expensed as incurred and not capitalized.

The Company has adopted the provisions of the FASB standard related to accounting for asset retirement obligations, which establishes standards for the initial measurement and subsequent accounting for obligations associated with the sale, abandonment, or other disposal of long-lived tangible assets arising from the acquisition, construction or development and for normal operations of such assets. As of June 30, 2010 the Company had no developed properties, therefore an accrual related to asset retirement obligations was not necessary.

### **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 had no assets measured at fair value on a recurring basis as of June 30, 2010.

The following table presents assets that are measured and recognized at fair value as of December 31, 2009 and the year then ended on a recurring basis:

Description	Level 1	Level 2	Level 3	Total Realized Loss
Available For Sale Securities	\$ 3,950	\$ -	\$ -	\$ 106,985
Totals	\$ 3,950	\$ -	\$ -	\$ 106,985

### Stock Based Compensation

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

The Company from time to time may issue stock options, warrants and restricted stock to acquire goods or services from third parties. Restricted stock, options or warrants issued to other than employees or directors are recorded on the basis of their fair value, which is measured as of the date required by the Emerging Issues Task Force guidance related to accounting for equity instruments issued to non-employees. In accordance with this guidance, the options or warrants are valued using the Black-Scholes option pricing model on the basis of the market price of the underlying equity instrument on the "valuation date," which for options and warrants related to contracts that have substantial disincentives to non-performance, is the date of the contract, and for all other contracts is the vesting date. Expense related to the options and warrants is recognized on a straight-line basis over the shorter of the period over which services are to be received or the vesting period. As of June 30, 2010, no options or warrants 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 the EITF 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.

### 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 June 30, 2010 and 2009, there were no common stock equivalents outstanding.

The following is a reconciliation of the computation for basic and diluted EPS:

	6 months ended June 30, 2010	6 months ended June 30, 2009
Net Loss	(\$163,496)	(\$169,586)
Weighted-average common shares Outstanding (Basic)	68,878,241	34,821,463
Weighted-average common stock Equivalents	-	-
Deduction of stock Equivalents not included due to net loss	-	-
Weighted-average common shares Outstanding (Diluted)	68,878,241	34,821,463
Basic and Diluted Net Loss per Share	(\$0.00)	(\$0.00)

### Recently Issued Accounting Standards

In April 2008, the FASB issued ASC 350-10, "Determination of the Useful Life of Intangible Assets." ASC 350-10 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under ASC 350-10, "Goodwill and Other Intangible Assets." ASC No. 350-10 is effective for fiscal years beginning after December 15, 2008. The adoption of this ASC did not have a material impact on our financial statements.

In April 2009, the FASB issued ASC 805-10, "Accounting for Assets Acquired and Liabilities assumed in a Business Combination That Arise from Contingencies — an amendment of FASB Statement No. 141 (Revised December 2007), Business Combinations". ASC 805-10 addresses application issues raised by preparers, auditors and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting and disclosure of assets and liabilities arising from contingencies in a business combination. ASC 805-10 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. ASC 805-10 will have an impact on our accounting for any future acquisitions and its financial statements.

In May 2009, the FASB issued ASC Topic 855, Subsequent Events. ASC Topic 855 established principles and requirements for evaluating and reporting subsequent events and distinguishes which subsequent events should be recognized in the financial statements versus which subsequent events should be disclosed in the financial statements. ASC Topic 855 also requires disclosure of the date through which subsequent events are evaluated by management. ASC Topic 855 was effective for interim periods ending after June 15, 2009 and applies prospectively. Because ASC Topic 855 impacts the disclosure requirements, and not the accounting treatment for subsequent events, the adoption of ASC Topic 855 did not impact our results of operations or financial condition.

Effective July 1, 2009, we adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 105-10, Generally Accepted Accounting Principles – Overall ("ASC 105-10"). ASC 105-10 establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASUs"). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout these financials have been updated for the Codification.

In August 2009, the FASB issued ASU No. 2009-05, Measuring Liabilities at Fair Value, which provides additional guidance on how companies should measure liabilities at fair value under ASC 820. The ASU clarifies that the quoted price for an identical liability should be used. However, if such information is not available, an entity may use the quoted price of an identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities traded as assets, or another valuation technique (such as the market or income approach). The ASU also indicates that the fair value of a liability is not adjusted to reflect the impact of contractual restrictions that prevent its transfer and indicates circumstances in which quoted prices for an identical liability or quoted price for an identical liability traded as an asset may be considered level 1 fair value measurements. This ASU is effective October 1, 2009. We are currently evaluating the impact of this standard, but would not expect it to have a material impact on our results of operations or financial condition.

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements – a consensus of the FASB Emerging Issues Task Force, that provides amendments to the criteria for separating consideration in multiple-deliverable arrangements. As a result of these amendments, multiple-deliverable revenue arrangements will be separated in more circumstances than under existing U.S. GAAP. The ASU does this by establishing a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific objective evidence nor third-party evidence is available. A vendor will be required to determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis. This ASU also eliminates the residual method of allocation and will require that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the overall arrangement proportionally to each deliverable based on its relative selling price. Expanded disclosures of qualitative and quantitative information regarding application of the multiple-deliverable revenue arrangement guidance are also required under the ASU. The ASU does not apply to arrangements for which industry specific allocation and measurement guidance exists, such as long-term construction contracts and software transactions. ASU No. 2009-13 is effective beginning January 1, 2011. We currently hold no financial instruments applicable to this standard.

#### **NOTE 4 INVESTMENTS**

In 2008, the Company was to receive \$100,000 in joint-venture payments from Hidalgo Mining International Inc. (OTC: HMIT) pursuant to joint-venture agreements on the Company's Silver Leaf and Gold Hill Project properties. The Company elected to accept payment in shares of HMIT stock and received a total of 9,875,214 shares. The shares were valued at \$110,935 according to the closing price of the stock on the date the shares were received. A gain of \$10,935 related to the value of the stock over the original agreement was recorded due to the transaction. As of December 31, 2008, the market value of these shares was \$133,715. This resulted in an unrealized gain shown in other comprehensive income of \$22,780 for the year ended December 31, 2008. In October 2009, the joint-ventures with Hidalgo were terminated, and by agreement the Company has retained its shares of HMIT. As of December 31, 2009, the Company has taken an impairment charge and written down the value of the shares to \$3,950. The loss was realized and classified as Other Expenses due to the Company's determination that the devaluation of the shares was "other than temporary".

As of June 14, 2010, the HMIT shares were transferred to CEO Perry Leopold and applied towards deferred compensation reduction. The shares were valued at \$13,825 as their fair market value on the day of transfer. The deferred compensation relieved was \$12,838. The excess value of shares transferred over deferred compensation relieved was expensed for \$987.

#### **NOTE 5 PREPAID EXPENSES**

During 2009, the Company sold its War Eagle claims in consideration of \$14,910 in marketing and advertising services. As of June 30, 2010, \$12,410 of these services remain to be utilized.

#### **NOTE 6 ACCOUNTS RECEIVABLE**

During Q2, 2010, an amendment to the August 6, 2009 Coronation Gold JV agreement with Lincoln Resources, Inc. ("Lincoln") was agreed to. The amendment extends the terms of the work commitment by one year, such that expenditures required in the first year of the agreement are extended until August 6, 2011, and further expenditures extended similarly by one year. In consideration of the amended agreement, North Bay will receive an additional cash payment of \$10,000 USD, with \$5,000 due on or before August 6, 2010, and the balance due within 30 days thereafter.

#### **NOTE 7 FINANCING**

During Q2 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 volume weighted average prices of common stock for 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 \$24,038. This value will be recorded as a discount on debt and offset to additional paid in capital when the note becomes convertible on July 15, 2010.

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

As of June 30, 2010 and December 31, 2009, 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 10 - 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.

**NOTE 9 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 though they took place as of the earliest period presented.

**NOTE 10 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. As of June 30, 2010 and December 31, 2009, the outstanding balance of the NQDC plan is \$751,473 and \$656,310, respectively.

In 2007, 2008, and 2009, our Chief Executive Officer was awarded restricted stock bonuses in recognition of the Company's inability to provide cash compensation. The value of common shares was based on the market closing price on the day of issuance. The value of preferred shares was valued according to the closing price of the common stock the preferred shares were convertible into on the day of issuance, plus the value of the control premium from voting rights assigned to certain preferred share issuances. The valuations of these issuances are shown below:

Date	Type of Stock	Number of Shares	Value
2/12/2007	Preferred	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 11 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.

**NOTE 12 SHARE ISSUANCES SINCE 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 issuance.

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.

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 issuance.

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 issuance.

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 the six months ended June 30, 2010, the Company issued 5,000,000 shares of common stock in a Rule 504 private placement. The consideration received was \$50,000.

During the six months ended June 30, 2010, the Company issued 6,589,147 shares of restricted common stock to Tangiers Investors, LP ("Tangiers") as a one-time commitment fee of \$85,000 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.