

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

**FORM 10-Q**

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

**For the quarterly period ended June 30, 2014**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

Commission file number: 001-34055



**TIMBERLINE RESOURCES CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

**DELAWARE**

**82-0291227**

(State of other jurisdiction of incorporation or organization)

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

**101 EAST LAKESIDE AVENUE**

**COEUR D'ALENE, IDAHO**

(Address of Principal Executive Offices)

**83814**

(Zip Code)

**(208) 664-4859**

(Registrant's Telephone Number, including Area Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Number of shares of issuer's common stock outstanding at August 6, 2014: 74,868,938

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PART I — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**

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**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	June 30, 2014 (unaudited)	September 30, 2013 (audited)
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash	\$ 276,987	\$ 824,919
Prepaid expenses and other current assets	59,621	30,151
Joint venture receivable	10,388	53,586
<b>TOTAL CURRENT ASSETS</b>	<b>346,996</b>	<b>908,656</b>
<b>PROPERTY, MINERAL RIGHTS AND EQUIPMENT</b>	<b>14,153,156</b>	<b>14,037,784</b>
OTHER ASSETS:		
Prepaid drilling services	440,000	660,000
Investment in joint venture	642,450	642,450
Restricted cash	623,238	639,422
Deposits and other assets	4,500	4,500
<b>TOTAL OTHER ASSETS</b>	<b>1,710,188</b>	<b>1,946,372</b>
<b>TOTAL ASSETS</b>	<b>\$ 16,210,340</b>	<b>\$ 16,892,812</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 205,437	\$ 204,897
Accrued expenses	132,419	103,375
Accrued director fees	91,000	109,917
Accrued payroll, benefits and taxes	36,458	52,444
Note and interest payable	1,010,925	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,476,239</b>	<b>470,633</b>
LONG-TERM LIABILITIES:		
Asset retirement obligation	130,523	125,823
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>130,523</b>	<b>125,823</b>
COMMITMENTS (Note 10)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value; 100,000,000 shares authorized, 74,868,938 and 74,021,879 shares issued and outstanding, respectively	74,869	74,022
Additional paid-in capital	58,356,775	58,207,622
Accumulated deficit	(31,678,445)	(31,678,445)
Accumulated deficit during the exploration stage	(12,149,621)	(10,306,843)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>14,603,578</b>	<b>16,296,356</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 16,210,340</b>	<b>\$ 16,892,812</b>

See accompanying notes to consolidated financial statements.

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	2014	2013
<b>OPERATING EXPENSES:</b>				
Mineral exploration expenses	\$ 157,638	\$ 333,471	\$ 410,262	\$ 1,480,177
Gain on lease of mineral rights	-	(125,000)	-	(250,000)
Salaries and benefits	187,876	196,249	709,370	598,441
Professional fees expense	223,607	53,960	360,070	162,719
Insurance expense	18,352	27,266	59,713	80,648
Gain on disposal of equipment	-	-	(16,565)	-
Other general and administrative expenses	57,418	110,502	235,971	439,710
<b>TOTAL OPERATING EXPENSES</b>	<u>644,891</u>	<u>596,448</u>	<u>1,758,821</u>	<u>2,511,695</u>
<b>LOSS FROM OPERATIONS</b>	<u>(644,891)</u>	<u>(596,448)</u>	<u>(1,758,821)</u>	<u>(2,511,695)</u>
<b>OTHER INCOME (EXPENSE):</b>				
Foreign exchange loss	(1,682)	(1,389)	(3,125)	(2,674)
Interest income (expense), net	(9,893)	3,747	(10,832)	66,476
Loss on settlement of prepaid drilling services	-	-	(70,000)	-
<b>TOTAL OTHER INCOME (EXPENSE), NET</b>	<u>(11,575)</u>	<u>2,358</u>	<u>(83,957)</u>	<u>63,802</u>
<b>LOSS BEFORE INCOME TAXES</b>	(656,466)	(594,090)	(1,842,778)	(2,447,893)
<b>INCOME TAX EXPENSE</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET LOSS</b>	<u>\$ (656,466)</u>	<u>\$ (594,090)</u>	<u>\$ (1,842,778)</u>	<u>\$ (2,447,893)</u>
<b>NET LOSS PER SHARE AVAILABLE TO COMMON STOCKHOLDERS, BASIC AND DILUTED</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING, BASIC AND DILUTED</b>	<u>74,868,938</u>	<u>68,121,879</u>	<u>74,615,975</u>	<u>66,249,901</u>

See accompanying notes to consolidated financial statements.

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Nine Months Ended June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,842,778)	\$ (2,447,893)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	9,137	21,999
Loss on settlement of prepaid drilling services	70,000	-
Stock based compensation	-	10,000
Gain on disposal of equipment	(16,565)	-
Accretion of asset retirement obligation	4,700	4,476
Gain on lease of mineral rights	-	(250,000)
Stock issued for mineral exploration expenses	110,000	21,500
Changes in operating assets and liabilities:		
Prepaid drilling services, prepaid expenses and other current assets, deposits and other assets	(29,470)	16,865
Joint venture receivable	43,198	736,689
Accounts payable	540	(742,970)
Accrued interest and expenses	21,052	54,302
Accrued payroll, benefits and taxes	(15,986)	1,427
Net cash used by operating activities	<u>(1,646,172)</u>	<u>(2,573,605)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, mineral rights and equipment	(90,000)	(90,500)
Proceeds from sale of property, mineral rights and equipment	22,056	-
Payment received on note receivable	-	1,350,000
Change in restricted cash	16,184	-
Settlement of prepaid drilling services	150,000	-
Net cash provided by investing activities	<u>98,240</u>	<u>1,259,500</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of stock and warrants, net of stock offering costs	-	888,415
Proceeds from issuance of note payable	1,000,000	-
Net cash provided by financing activities	<u>1,000,000</u>	<u>888,415</u>
Net decrease in cash and cash equivalents	(547,932)	(425,690)
<b>CASH AT BEGINNING OF PERIOD</b>	824,919	1,034,080
<b>CASH AT END OF PERIOD</b>	<u>\$ 276,987</u>	<u>\$ 608,390</u>
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES:</b>		
Common stock issued for mineral rights	\$ 40,000	\$ -
Long term investment received from lease of mineral rights	-	25,000

See accompanying notes to consolidated financial statements.

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS:**

Timberline Resources Corporation (“Timberline” or “the Company”, “we”, “us”, “our”) was incorporated in August of 1968 under the laws of the State of Idaho as Silver Crystal Mines, Inc., for the purpose of exploring for precious metal deposits and advancing them to production. In 2008, we reincorporated into the State of Delaware pursuant to a merger agreement approved by our shareholders.

In 2006, we acquired Kettle Drilling, Inc. and its Mexican subsidiary, World Wide Exploration S.A. de C.V. (“World Wide”). In 2008, Kettle Drilling, Inc. changed its name to Timberline Drilling Incorporated (“Timberline Drilling”). In November 2011, we sold Timberline Drilling and World Wide and became solely a mineral exploration enterprise.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

- a. *Basis of Presentation and Going Concern* – The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-Q. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of our management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three and nine month periods ended June 30, 2014 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2014. All amounts presented are in U.S. dollars. For further information refer to the financial statements and footnotes thereto in our Annual Report on Form 10-K for the year ended September 30, 2013.

The consolidated financial statements for the three and nine month periods ended June 30, 2014 were prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. The Company’s ability to continue as a going concern is dependent upon its ability to receive cash flow from its Butte Highlands Gold Project or to successfully obtain additional financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company.

- b. *Reclassifications* – Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to current period presentation with no effect on previously reported net income (loss) and accumulated deficit.
- c. *Net Income (Loss) per Share* – Basic earnings per share (“EPS”) is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities.

The dilutive effect of convertible and outstanding securities, in periods of future income as of June 30, 2014 and 2013, would be as follows:

	<u>2014</u>	<u>2013</u>
Stock options	3,074,000	5,621,500
Warrants	300,000	150,000
Total possible dilution	<u>3,374,000</u>	<u>5,771,500</u>

At June 30, 2014 and 2013, the effect of the Company’s outstanding options and common stock equivalents would have been anti-dilutive.

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued):**

- d. *Asset retirement obligation* – We account for asset retirement obligations by following the uniform methodology for accounting for estimated reclamation and abandonment costs as prescribed by authoritative accounting guidance. This guidance provides that the fair value of a liability for an asset retirement obligation (“ARO”) will be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The ARO is capitalized as part of the carrying value of the assets to which it is associated, and depreciated over the useful life of the asset. Adjustments are made to the liability for changes resulting from passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation. We have an ARO associated with our exploration program at the Lookout Mountain exploration project.
- e. *New accounting pronouncements* – In July 2013, the 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. This standard provides guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The new requirements are effective for public entities in fiscal years (including interim periods) beginning after December 15, 2013. Adoption of this guidance is not expected to have a material effect on our consolidated financial statements.

In June 2014 the Financial Accounting Standards Board issued Accounting Standard Update No. 2014-10 (“the ASU”). This update changes the requirements for disclosures as it relates to exploration stage entities. The ASU specifies that the ‘inception-to-date’ information is no longer required to be presented in the financial statements of an exploration stage entity. The amendments in the ASU are effective for annual reporting periods beginning after December 15, 2014 and interim periods therein, with early application permitted for any financial statements that have not yet been issued. The Company has elected to apply the amendments as of June 30, 2014.

**NOTE 3 – FAIR VALUE MEASUREMENTS:**

The table below sets forth our financial assets and liabilities that were accounted for at fair value on a recurring basis and the fair value calculation input hierarchy level that we have determined applies to each asset and liability category.

	<u>June 30,</u> <u>2014</u>	<u>September 30,</u> <u>2013</u>	<u>Input</u> <u>Hierarchy</u> <u>Level</u>
Assets:			
Cash	\$ 276,987	\$ 824,919	Level 1
Restricted cash	623,238	639,422	Level 1

**NOTE 4 – INVESTMENT IN JOINT VENTURE:**

In July 2009, we entered into a joint venture operating agreement (the “Agreement”) with Highland Mining, LLC (“Highland”). The joint venture entity, Butte Highlands JV, LLC (“BHJV”) was created for the purpose of developing and mining the Butte Highlands Gold Project. As a result of our contribution of our 100% interest in the Butte Highlands Gold Project, carried on our balance sheet at cost (\$642,450), we hold a 50% interest in BHJV. Under terms of the Agreement, our interest in BHJV will be carried to production by Highland, which will fund all future project exploration and mine development costs.

Under the Agreement, Highland contributed property and agreed to fund all future mine development costs at Butte Highlands. Both the Company’s and Highland’s share of development costs will be paid from proceeds of future mine production. The Operating Agreement stipulates that Highland shall appoint a manager of BHJV and that Highland will manage BHJV until such time as all mine development costs, less \$2 million (the deemed value of our contribution of property to BHJV), are distributed to Highland out of the proceeds from future mine production.

At June 30, 2014 and September 30, 2013, we have a receivable from BHJV for expenses incurred on behalf of BHJV in the amount of \$10,388 and \$53,586, respectively.



**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 5 – PREPAID DRILLING SERVICES:**

During the year ended September 30, 2012, we obtained \$1,100,000 in prepaid drilling services as a portion of the consideration received from the sale of Timberline Drilling. The prepayment amount represents discounts on future drilling services, or cash if we do not use the prepaid drilling services, to be provided by Timberline Drilling to us between November 2011 and November 2016. During the quarter ended March 31, 2014, we accepted \$150,000 as settlement of the portion of the prepaid drilling services that was due to be paid to the Company in November 2014 (\$220,000).

The following table summarizes activity in the Company’s prepaid drilling services:

	<b>Nine months ended</b>	<b>Year ended</b>
	<b>June 30, 2014</b>	<b>September 30, 2013</b>
Beginning balance	\$ 660,000	\$ 887,116
Cash received in lieu of drilling services	(150,000)	(227,116)
Loss on settlement of prepaid drilling services	(70,000)	-
Ending balance	<u>\$ 440,000</u>	<u>\$ 660,000</u>

**NOTE 6 – RELATED PARTY TRANSACTIONS:**

*Butte Highlands Joint Venture Agreement*

In 2009, we entered into an Operating Agreement with Highland, an entity controlled by Ron Guill, a former director of the Company, to form a 50/50 joint venture for development and mining of the Company’s Butte Highlands Gold Project (see Note 4). During the year ended September 30, 2012, Highland was sold to Montana State Gold Corporation (“MSGC”), a private corporation not affiliated with the Company or Ron Guill. As a result, Highland is no longer a related party to the Company and Ron Guill is no longer the manager of BHJV.

*Daycon Minerals*

We own approximately 18% and 15% of the issued and outstanding stock of Daycon Minerals (“Daycon”) as of June 30, 2014 and September 30, 2013, respectively. In addition, our President and CEO, Paul Dircksen, is a member of the board of directors of Daycon as of June 30, 2014. At September 30, 2013 we evaluated the fair value of our investment in Daycon and determined that this asset was impaired. We determined that the fair value measurement of our investment in Daycon fell under Level 3 (no significant observable inputs) of the fair value hierarchy. Given the adverse market conditions for mineral exploration companies and our doubt about Daycon’s ability to continue as a going concern, we concluded that the fair value of our investment in Daycon was zero. As a result, we recognized a \$450,000 impairment of long term investments in our consolidated statement of operations for the year ended September 30, 2013.

**NOTE 7 – NOTE PAYABLE:**

On March 14, 2014, the Company entered into a promissory note (the “Note”) and deed of trust, security agreement, assignment of leases and rents and fixture filing to secure promissory note (the “Deed of Trust”) with Wolfpack Gold Corp. (“Wolfpack”). The Company and Wolfpack entered into the Note and the Deed of Trust in connection with a proposed business combination (the “Proposed Transaction”) that is the subject of a letter of intent between the parties dated effective March 11, 2014.

Pursuant to the Note, the Company has agreed to repay Wolfpack the unpaid principal amount of advances made under the Note up to a maximum principal amount of \$1,000,000, together with accrued interest thereon. The amount drawn on the Note bears interest at 5% during the first six months of the loan and thereafter at 10% until repaid. Interest is payable in arrears on the date that the Note is prepaid, in proportion to the principal amount being prepaid, or on the date that the Note is due and payable. The Note is due and payable on the earlier of (i) five business days after the Proposed Transaction closes or (ii) March 15, 2015. The Company may repay the outstanding principal balance on the Note, in whole or in part, without penalty or premium, at any time and from time to time before the Note is due and payable. The Note is secured by the Company’s interest in the Seven Troughs property. The Note, including principal and accrued interest, is expected to be forgiven upon completion of the Proposed Transaction.

**NOTE 7 – NOTE PAYABLE, (continued):**

As of June 30, 2014, Wolfpack had advanced \$1,000,000 to the Company and \$10,925 of interest had accrued under the Note.

If the Proposed Transaction does not complete prior to March 15, 2015 and any indebtedness under the Note is not otherwise prepaid, then on the maturity date of the Note and subject to any required regulatory approvals and available prospectus exemptions, Wolfpack may, in exchange for indebtedness under the Note, elect to receive shares of the Company's common stock obtained by dividing the amount of Note indebtedness (outstanding principal plus accrued interest) that Wolfpack wishes to convert by \$0.14 (for outstanding principal amounts to be converted) or the market price (as defined in the rules of the TSX Venture Exchange) of the Company's common stock on the NYSE MKT exchange where the Company's common stock trades (for outstanding interest to be converted).

The Company has determined that the conversion price represents a beneficial conversion feature. However, since the conversion feature is effective only if the Proposed Transaction is not completed prior to March 15, 2015, the Company has measured the conversion feature at the date of the initial advance on the Note, but will not recognize it until the actual commitment date (if necessary), which the Company has determined to be March 15, 2015.

The Note includes covenants that the Company will not, without the prior written consent of Wolfpack, do any of the following:

- (i) pay any dividend or other distribution to its shareholders, except such as may occur in connection with the Proposed Transaction;
- (ii) lend money, guarantee a loan or grant any other form of financial assistance or benefit to any person;
- (iii) make any material payments to its shareholders, directors or officers other than to Wolfpack and other than in the ordinary course of business, amounts paid to settle loans advanced by such parties or amounts paid pursuant to employment or consulting arrangements with such parties;
- (iv) create, incur, assume or permit to exist any indebtedness, except the indebtedness created under the Note and except as during normal course of business;
- (v) create, incur, assume or permit to exist any lien on the Seven Troughs property, except for (A) the security interest granted to Wolfpack pursuant to the Note and the Deed of Trust, and (B) liens permitted under the Note (including liens for taxes not yet due and payable, survey exceptions, easements or zoning restrictions affecting the Seven Troughs property, rights reserved to governmental entities and other liens that do not materially impair the current use of the Seven Troughs property);
- (vi) enter into any arrangement, directly or indirectly, with any person for the sale or transfer of any interest in the Seven Troughs property, unless such arrangement provides for the payment of all outstanding indebtedness under the Note prior to or concurrently with the closing of such arrangement;
- (vii) amend its constating documents or by-laws, as applicable, except as done by shareholders at a properly constituted meeting or such amendments by the board of directors that do not or could not reasonably be expected to result in a material adverse effect or affect the Company's obligations under the Note, the Company's ability to meet its obligations under the Note, the security interest granted pursuant to the Deed of Trust or otherwise result in an Event of Default;
- (viii) merge, amalgamate or otherwise consolidate with any other person; except as such may occur in connection with the Proposed Transaction; and
- (ix) enter into any agreement or arrangement with any person or create, incur, assume or permit to exist any royalty of any type on the Seven Troughs property.

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 8 – COMMON STOCK, WARRANTS AND PREFERRED STOCK:**

*Common Stock*

During the nine months ended June 30, 2014, pursuant to a vendor agreement related to the provision of metallurgical testing services, we issued 647,059 restricted common shares with a value of \$110,000 based upon the closing price of our shares of common stock as quoted on the NYSE MKT.

During the nine month period ended June 30, 2014, pursuant to an amended mineral property lease and option agreement related to the WFWKV claims, we issued 200,000 restricted common shares with a value of \$40,000 based upon the closing price of our shares of common stock as quoted on the NYSE MKT.

*Warrants*

The following is a summary of the Company's warrants outstanding:

	<u>Warrants</u>	<u>Exercise Price</u>
Outstanding at September 30, 2013	300,000	\$ 0.25
Issued	-	-
Exercised	-	-
Expired	-	-
Outstanding at June 30, 2014	<u>300,000</u>	<u>\$ 0.25</u>

150,000 of the warrants expire on December 26, 2015, and the remaining 150,000 warrants expire on September 10, 2016.

*Preferred Stock*

We are authorized to issue up to 10,000,000 shares of preferred stock, \$0.01 par value. Our Board of Directors is authorized to issue the preferred stock from time to time in series, and is further authorized to establish such series, to fix and determine the variations in the relative rights and preferences as between series, to fix voting rights, if any, for each series, and to allow for the conversion of preferred stock into common stock.

**NOTE 9 – STOCK OPTIONS:**

We have established the Amended 2005 Equity Incentive Plan (as amended by our shareholders on May 28, 2010) to authorize the granting of up to 10,000,000 stock options to employees, directors and consultants. Upon exercise of options, shares are issued from the available authorized shares of the Company. Option awards are granted with an exercise price equal to the fair market value of our stock at the date of grant.

No option awards were granted during the nine months ended June 30, 2014, and no option awards vested under the plan during the period. Therefore, no stock option expense is included in the consolidated statements of operations for the three months or nine months ending June 30, 2014. During the three months and nine months ended June 30, 2013, zero and 100,000 options, respectively, that vested immediately were granted to a director, and no other options were granted or vested during the nine months ending June 30, 2013.

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**NOTE 9 – STOCK OPTIONS, (continued):**

The fair value of option awards granted during the nine months ended June 30, 2013 was estimated to be \$10,000 on the date of grant with a Black-Scholes option-pricing model using the assumptions noted in the following table.

	<u>Nine months ended June 30, 2013</u>
Expected volatility	71.3%
Weighted-average volatility	71.3%
Expected dividends	-
Expected term (in years)	3
Risk-free rate	0.38%
Expected forfeiture rate	0%

Total compensation cost of options vested under the plan, charged against operations, is included in the consolidated statements of operations as follows:

	<u>Three months ended June 30,</u>		<u>Nine months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Salaries and benefits	\$ -	\$ -	\$ -	\$ -
Other general and administrative expenses	-	-	-	10,000
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>

The following is a summary of our options issued under the Amended 2005 Equity Incentive Plan:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at September 30, 2013	5,271,500	\$ 0.63
Granted	-	
Exercised	-	
Expired	<u>(2,197,500)</u>	<u>(0.50)</u>
Outstanding at June 30, 2014	<u>3,074,000</u>	<u>\$ 0.72</u>
Exercisable at June 30, 2014	<u>3,074,000</u>	<u>\$ 0.72</u>
Unrecognized compensation expense related to options at June 30, 2014		<u>\$ -</u>
Average remaining contractual term of options outstanding and exercisable at June 30, 2014 (years)		<u>1.81</u>

The aggregate of options both outstanding and exercisable as of June 30, 2014 had no intrinsic value based on the closing price of \$0.13 per share of our common stock on June 30, 2014.

**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

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**NOTE 10 – COMMITMENTS:**

*Real Estate Lease Commitments*

The Company has real estate lease commitments related to its main office in Coeur d'Alene, Idaho and a facility in Eureka, Nevada.

Total office lease expense from continuing operations is included in the consolidated statements of operations as follows:

	<b>Three months ended June 30,</b>		<b>Nine months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Mineral exploration expenses	\$ 3,900	7,600	11,700	30,400
Other general and administrative expenses	12,000	12,000	36,000	36,000
Total	<u>\$ 15,900</u>	<u>19,600</u>	<u>47,700</u>	<u>66,400</u>

**NOTE 11 – SUBSEQUENT EVENTS:**

On May 6, 2014, the Company entered into an arrangement agreement with Wolfpack pursuant to which the Company will acquire all of the issued and outstanding common shares of Wolfpack Gold (Nevada) Corp. (“Wolfpack Nevada”), a wholly-owned subsidiary of Wolfpack by way of a share exchange in which the Company will exchange shares of the Company’s common stock for all of the issued and outstanding common stock of Wolfpack Nevada. At the time of closing, Wolfpack Nevada will contain certain of the Nevada gold properties of Wolfpack and approximately US\$4.7 million in cash, including the US\$1.0 million loan made by Wolfpack to the Company. The transaction contemplated by the Arrangement Agreement is expected to close in August, 2014. The transaction is structured as a Plan of Arrangement under the Business Corporations Act (*British Columbia*) (the “Arrangement”).

Subsequent to June 30, 2014, the Company completed a proxy information circular on Schedule 14A (the “Information Circular”) that was filed with the U.S. Securities and Exchange Commission and Canadian securities regulatory authorities and mailed to our shareholders. The Information Circular describes details of the Arrangement. The Company is holding an annual and special meeting of stockholders in August, 2014 to consider and vote upon the proposed acquisition of Wolfpack Nevada, a reverse stock split, an increase in our authorized shares, the nominees to the Company’s Board of Directors, ratification of the appointment of our auditors, and an advisory vote on the compensation of our named executive officers.

The acquisition of Wolfpack Nevada is expected to close in August, 2014. The transaction is subject to the receipt of applicable regulatory approvals, including the approval of the NYSE MKT and the TSX Venture Exchange, key third party consents, court approval, and satisfaction of other customary closing conditions. Also see Note 7.

On December 9, 2013, we entered into a vendor agreement with Kappes, Cassidy and Associates (“KCA”), whereby KCA agreed to settle \$102,571 in accounts receivable from us via payment of \$42,571 in cash and 352,941 shares of our common stock. The stock was valued at our trailing 20-day volume weighted average closing price, ending December 2, 2013, on the NYSE MKT of \$0.17 per common share. In addition, KCA agreed to perform additional metallurgical work on our behalf with an expected value of \$105,419. We will settle this amount via payment of \$55,419 in cash and 294,118 shares of our common stock using the same \$0.17 value per common share as outlined above. As of June 30, 2014, all of the shares have been issued and an accrual for \$55,419 has been recognized on the balance sheet.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes which appear elsewhere in this Quarterly Report on Form 10-Q.*

### Forward-Looking Statements

This Quarterly Report on Form 10-Q and the exhibits attached hereto contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and development of our properties, plans related to our business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. These statements include, but are not limited to, comments regarding:

- the establishment and estimates of mineralization and reserves;
- the grade of mineralization and reserves;
- anticipated expenditures and costs in our operations;
- planned exploration activities and the anticipated outcome of such exploration activities;
- plans and anticipated timing for obtaining permits and licenses for our properties;
- expected future financing and its anticipated outcome;
- plans and anticipated timing regarding production dates;
- anticipated gold prices;
- expected future financing and its anticipated outcome;
- anticipated liquidity to meet expected operating costs and capital requirements;
- our ability to obtain financing to fund our estimated expenditure and capital requirements; and
- factors expected to impact our results of operations

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks related to our limited operating history;
- risks related to our ability to continue as a going concern;
- risks related to our history of losses and our expectation of continued losses;
- risks related to our properties being in the exploration or, if warranted, development stage;
- risks related to our bringing our projects into production;
- risks related to our mineral operations being subject to government regulation;
- risks related to future legislation and administrative changes to mining laws;
- risks related to future legislation regarding climate change
- risks related to our ability to obtain additional capital to develop our reserves, if any;
- risks related to land reclamation requirements and costs;
- risks related to mineral exploration and development activities being inherently dangerous;
- risks related to our insurance coverage for operating risks;
- risks related to cost increases for our exploration and development projects;
- risks related to a shortage of equipment and supplies adversely affecting our ability to operate;
- risks related to mineral estimates;
- risks related to the fluctuation of prices for precious and base metals, such as gold, silver and copper;
- risks related to the competitive industry of mineral exploration;
- risks related to our title and rights in our mineral properties;
- risks related to integration issues with acquisitions;
- risks related to joint ventures and partnerships;
- risks related to potential conflicts of interest with our management;

- risks related to our dependence on key management;
- risks related to our Lookout Mountain and other acquired growth projects;
- risks related to our business model;
- risks related to our proposed acquisition of Wolfpack Gold Corp.;
- risks related to our loan and deed of trust entered into with Wolfpack Gold Corp.;
- risks related to our Canadian regulatory requirements; and
- risks related to our shares of common stock.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled “Risk Factors”, “Description of Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended September 30, 2013, filed with the Securities and Exchange Commission (the “SEC”) on December 18, 2013. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as otherwise required by law.

**We qualify all the forward-looking statements contained in this Quarterly Report on Form 10-Q by the foregoing cautionary statements.**

### **Corporate Background and History**

We commenced our exploration stage in January 2004 with the change in the management of the Company. From January 2004 until March 2006, we were strictly a mineral exploration company. With our acquisition of a drilling services company and the acquisition of the Butte Highlands Gold Project, we diversified our business plan to include drilling services and an exploration property with the potential to develop an underground mine with possible future gold production. Prior to the purchase of Timberline Drilling (formerly known as Kettle Drilling), we had no reported revenues and only had accumulated losses. In June 2010, we acquired Staccato Gold Resources Ltd. (“Staccato”), a Canadian-based resource company listed on the TSX Venture Exchange that was in the business of acquiring, exploring and developing mineral properties with a focus on gold exploration in the dominant gold producing trends in Nevada. As a result of this acquisition, we obtained Staccato’s South Eureka Property, which included their flagship gold exploration project, the Lookout Mountain Project (“Lookout Mountain”), and several other projects at various stages of exploration in the Battle Mountain/Eureka gold trend in Nevada, along with Staccato’s wholly owned U.S. subsidiary, BH Minerals USA, Inc. In September 2011, we announced that we had entered into a non-binding letter of intent to sell Timberline Drilling to a private company formed by a group of investors, including certain members of the senior management team of Timberline Drilling. The sale of Timberline Drilling was completed in November 2011 for a total value of approximately \$15 million and enabled the Company to focus exclusively on its core business of gold exploration and development.

### **Corporate Overview**

Our business is mineral exploration, with a focus on district-scale gold projects, such as our South Eureka Property in Nevada as well as our 50% carried-to-production interest in the Butte Highlands joint venture, which is currently progressing under the terms of our 50/50 joint venture agreement with Highland and targeted to begin gold production in 2014.

### **Recent Events**

In March 2014, we entered into a letter of intent (“LOI”) to merge with Wolfpack Gold Corp. (“Wolfpack”), a gold exploration company with a substantial portfolio of properties in Nevada and approximately \$6.7 million in cash. Subsequently, on April 14, 2014, during the due diligence period, the LOI was amended and restructured as an acquisition of Wolfpack with Timberline acquiring all the outstanding shares of a Wolfpack subsidiary, which would hold all of Wolfpack’s current exploration assets other than its uranium holdings and approximately US\$4.7 million in cash in exchange for shares of common stock in the capital of Timberline at a ratio equal to 0.75 shares of Timberline for each outstanding share of Wolfpack.

Timberline and Wolfpack agreed to an exclusivity period through May 5, 2014, during which time the parties were to complete their respective due diligence and, upon satisfactory completion thereof, conclude a definitive agreement. The acquisition was expected to be completed by a plan of arrangement or other suitable mechanism.

On May 6, 2014, the Company entered into an arrangement agreement (“Arrangement Agreement”) with Wolfpack pursuant to which the Company will acquire all of the issued and outstanding common shares of Wolfpack Gold (Nevada) Corp. (“Wolfpack Nevada”), a wholly-owned subsidiary of Wolfpack by way of a share exchange in which the Company will exchange shares of the Company’s common stock for all of the issued and outstanding common stock of Wolfpack Nevada. At the time of closing, Wolfpack Nevada will contain certain of the Nevada gold properties of Wolfpack and approximately US\$4.7 million in cash, including the US\$1.0 million loan made by Wolfpack to the Company. The transaction contemplated by the Arrangement Agreement is expected to close in August, 2014. The transaction is structured as a Plan of Arrangement under the Business Corporations Act (*British Columbia*) (the “Arrangement”).

At closing of the Arrangement, we expect to reconstitute our board of directors to be comprised of five directors, three of whom will be nominated by Timberline and two of whom will be nominated by Wolfpack. Wolfpack chairman Mr. William Sheriff will be appointed as Chairman of the Board while Paul Dircksen will continue as our President and Chief Executive Officer and Randy Hardy will continue as our Chief Financial Officer. We also anticipate at closing that the Company will consolidate its shares on a ratio to be determined by our Board of Directors. Additionally, the Arrangement Agreement requires a break fee in the amount of US\$500,000 be paid by a party electing to terminate the Arrangement Agreement to accept a third party superior proposal.

Under the terms of the LOI and Arrangement Agreement, Wolfpack agreed to provide Timberline with a bridge loan of up to US\$1,000,000 to fund our working capital needs during the interim period prior to the completion of the proposed transaction. Repayment of the loan is secured by our interest in the Seven Troughs property located in Pershing County, Nevada. The loan will mature on the earlier of completion of the acquisition and one year from the initial draw down under the loan. Upon completion of the acquisition, the loan will be canceled. The amount drawn will bear interest at 5% during the first six months of the loan and thereafter at 10% until repaid (in each case compounded annually). Wolfpack provided us with advances totaling \$1,000,000 under the bridge loan prior to June 30, 2014.

Upon completion of the Arrangement, Timberline shareholders will hold, as a group, approximately 65% of the outstanding shares of Timberline, while Wolfpack shareholders will hold, as a group, approximately 35% of the outstanding Timberline shares. As a result of the acquisition, we will acquire a number of gold projects in Nevada and approximately US\$4.7 million in cash, inclusive of the loan.

Completion of the Arrangement is subject to a number of conditions, including receipt by both Wolfpack and Timberline of all stock exchange and third party approvals, including shareholder approval. Advancement of the bridge loan and any conversion thereof into Timberline shares, is subject to receipt by both parties of stock exchange approval. The Company is holding an annual and special meeting of stockholders in August, 2014 to consider and vote upon the proposed acquisition of Wolfpack Nevada, a reverse stock split, an increase in our authorized shares, the nominees to the Company’s Board of Directors, ratification of the appointment of our auditors, and an advisory vote on the compensation of our named executive officers. The acquisition of Wolfpack Nevada is expected to close in August, 2014.

## **Mineral Exploration**

### South Eureka Property, Nevada

The South Eureka Property, including the Lookout Mountain Project, comprises an area of approximately 15,000 acres, or more than 23 square miles. The South Eureka Property is located within the southern portion of Nevada’s Battle Mountain-Eureka gold trend and includes three structurally controlled zones of gold mineralization, each approximately 3-4 miles in strike length, all zones of which are open and will require additional in-fill and step-out drilling. The property has an extensive exploration, drilling, and gold production history by a number of companies since 1975, including Idaho Mining Corp., Norse-Windfall Mining, Amselco, Echo Bay Mines, Newmont and Barrick Gold. A total of 533 holes, totaling 267,000 feet, were drilled on the property prior to its acquisition by Timberline in 2010. Gold mineralization tested to date is typical sediment-hosted Nevada gold mineralization, most of which may be amenable to low cost, heap leach processing.

In 2010-2011 we completed an exploration program that culminated in the release of a Canadian National Instrument 43-101 (“NI 43-101”) compliant technical report, entitled, *Technical Report on the Lookout Mountain Project, Eureka County, Nevada, USA*, dated May 2, 2011 (the “Technical Report”). The Technical Report was prepared by Mine Development Associates (“MDA”) of Reno, Nevada under the supervision of Michael M. Gustin, Senior Geologist, who is a qualified person under NI 43-101. The Technical Report details mineralization at the Lookout Mountain Project.



**Cautionary Note to U.S. Investors:** The Technical Report uses the terms “mineral resource,” “measured mineral resource,” “indicated mineral resource” and “inferred mineral resource”. We advise investors that these terms are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Industry Guide 7 (“Guide 7”) and are normally not permitted to be used in reports and registration statements filed with the SEC. As a reporting issuer in Canada, we are required to prepare reports on our mineral properties in accordance with NI 43-101. We reference the Technical Report in this Quarterly Report on Form 10-Q for informational purposes only and the Technical Report is not incorporated herein by reference. Investors are cautioned not to assume that all or any part of a mineral deposit in the above categories will ever be converted into Guide 7 compliant reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

The NI 43-101 compliant Technical Report was modeled and estimated by MDA by evaluating available drill data statistically, utilizing geologic interpretations provided by Timberline to interpret gold mineral domains on cross sections spaced at 50- to 100-foot intervals across the extent of the Lookout Mountain mineralization, rectifying the mineral-domain interpretations on level plans spaced at 10-foot intervals, analyzing the modeled mineralization geostatistically to aid in the establishment of estimation parameters, and interpolating grades into a three-dimensional block model.

In 2012, we released updated exploration data for the Lookout Mountain Project and filed an updated NI 43-101 Technical Report. As a result of the most recently completed exploration program, we have successfully extended the mineralized zone at Lookout Mountain 600 feet to the south of the resource boundary defined in the 2011 Technical Report, and have expanded mineralization along the west margin of the deposit. Results from Lookout Mountain, and from the South Adit area, significantly increased the currently reported mineralization at the Lookout Mountain Project. In early 2013, we completed our 2012 exploration program at Lookout Mountain, including 26,140 feet total of infill-drilling. This program focused on resource expansion, metallurgical, geotechnical, and permitting studies in preparation for an anticipated Preliminary Economic Assessment (“PEA”) of the project.

Assay results from drilling were incorporated into an updated NI 43-101 Technical Report which was completed in early 2013 in preparation for the anticipated PEA. Drilling also provided data for on-going metallurgical studies directed at characterization of gold mineralization recovery, and for initial assessment of pit-slope stabilities. Permitting-related activities were advanced through completion of quarterly monitoring, and installation of three monitoring wells. Initial site facilities (heap leach pads, mine rock storage, access roads) have also been prepared in advance of the anticipated PEA.

During the first half of 2013, we continued geochemical waste rock environmental characterization, completed independent metallurgical leach testing, continued water quality monitoring and defined hydrologic work plans. In addition, we reduced costs by consolidating our Elko field office into our Eureka facility.

During the second half of 2013 and the year to date in 2014, we continued the baseline environmental data collection and analysis at Lookout Mountain, we furthered work toward the completion of an economic analysis, and we performed further metallurgical testing.

There are no proven and probable reserves as defined under Guide 7 at the South Eureka property and our activities there remain exploratory in nature.

#### Butte Highlands Project, Montana

In conjunction with our joint venture partner, Highland, we continue to advance the Butte Highlands Project toward an expected commencement of mineral extraction in 2014. With the receipt of final assays from the 50,000-foot underground exploration drill program that was completed in the year ended September 30, 2011, Highland completed an initial mine plan and obtained necessary data for the submission of the Hard Rock Operating Permit (“HRO Permit”) application. The mine plan anticipates mineral extraction of approximately 400 tons per day during the first four years of operation, with mineralized material to be direct shipped to a nearby mill.

We submitted the application for our HRO Permit to the Montana Department of Environmental Quality (“MDEQ”) in May 2010. As a result of hydrological studies performed since that time, it has become evident that there will be a need to pump and discharge more water from the mineralized area than was initially expected. As a result, the project requires an additional water discharge permit (“MPDES Permit”) to be issued by the State of Montana and the construction of additional water treatment facilities. An application for the MPDES Permit was submitted to the MDEQ on March 30, 2012, with amendments submitted in June 2012. In July, 2012 we received a notice of completeness for the MPDES Permit application from the MDEQ, and during the quarter ended June 30, 2013 we received the MPDES Permit, to take effect on August 1, 2013.

In May 2013, we released a Canadian National Instrument 43-101 (“NI 43-101”) compliant technical report, entitled, *Technical Report on the Butte Highlands Gold Project, Silver Bow County, Montana, USA*, dated May 10, 2013 (the “Butte Technical Report”). The Butte Technical Report was prepared by MDA, of Reno, Nevada under the supervision of Michael M. Gustin, Senior Geologist, who is a qualified person under NI 43-101.

**Cautionary Note to U.S. Investors:** The Butte Technical Report uses the terms “mineral resource,” “measured mineral resource,” “indicated mineral resource,” “inferred mineral resource” and “historic mineral resource”. We advise investors that these terms are defined in and required to be disclosed by NI 43-101; however, these terms are not defined terms under SEC Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. As a reporting issuer in Canada, we are required to prepare reports on our mineral properties in accordance with NI 43-101. We reference the Butte Technical Report in this Quarterly Report on Form 10-Q for informational purposes only and the Butte Technical Report is not incorporated herein by reference. Investors are cautioned not to assume that all or any part of a mineral deposit in the above categories will ever be converted into Guide 7 compliant reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

A significant project milestone was achieved with the receipt of a notice of completeness and draft HRO Permit from the MDEQ on December 7, 2012. In January, 2013, with environmental baseline studies substantially complete, the MDEQ initiated completion of an Environmental Impact Statement for the project upon which the final HRO Permit was scheduled to be issued in the late Q3 of 2013. A draft EIS was issued on October 11, 2013 and, after receipt of public comments thereupon, the MDEQ is preparing the final EIS document. Due to high MDEQ workloads, the final EIS and a Record of Decision, and the issuance of the final HRO Permit have been delayed and are now expected in the third quarter of 2014. After the issuance of the final HRO Permit, final construction activities will commence. In advance of the final HRO Permit, the BHJV remobilized mining equipment and staff to the site to support additional mining pre-development and exploration work. Pre-development work completed in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2013, and the 1<sup>st</sup> quarter of 2014, included approximately 1,000 feet of additional underground drifting towards the initial planned mine area, installation of a second dewatering well, two new monitoring wells, and initial components of the water discharge system and the water treatment plant. In addition, supplemental hydrology and water treatment studies have been completed to support optimization of dewatering and water treatment plans. Actions supporting the issuance of the permits are the primary activities presently occurring related to the Butte Highlands Project.

The United States Forest Service (“USFS”) has completed specialist studies in support of a proposed Plan of Operations to allow the usage of USFS roads for haulage of mineralized material from the mine site. The USFS initiated preparation of an Environmental Assessment (“EA”) in the second quarter of 2013. The draft EA was released and followed with a public comment period in the first quarter of 2014. Currently the USFS is preparing a Final EA which considers the public comments and is coordinating plans with Butte-Silver Bow County and BHJV for long-term road maintenance plans. In the first quarter of 2014, a “Nationwide 404” Permit has been granted by the US Army Corp of Engineers (ACOE), and a Conservation District 310 Permit (pending final engineering design submittals) to the BHJV to allow needed road improvements across stream crossings and associated minor wetlands.

Timberline's joint venture operating agreement at the Butte Highlands Project calls for Timberline to retain a 50-percent project interest while being carried to production by Highland. Once in production, as defined in the joint venture agreement, Timberline is to receive 20-percent of project cash flow until Highland recovers its initial capital expenditures, at which time Timberline will receive 50-percent of cash flow.

A feasibility study has not been completed on the Butte Highlands project, and there are no proven and probable reserves at the property under Guide 7. Our activities there remain exploratory in nature and there is no certainty the proposed operations will be economically viable.

## Summary

We believe the global economic environment and monetary climate continue to favor a solid and relatively steady gold price for the foreseeable future, despite recent volatility in prices. Volatility is to be expected, however our expectation is that we can continue to advance our business model in spite of the current gold price and market volatility.

As a company, we are focused on advancing the Butte Highlands Project toward expected gold extraction in 2014, subject to receipt of the necessary permits, as discussed above, advancing exploration programs at Lookout Mountain and other potential projects on our South Eureka Property, and exploring and identifying mineral occurrences on other properties acquired in Nevada. In addition, we are evaluating a number of mineral properties we expect to acquire from Wolfpack, and we will continue to evaluate new mineral exploration opportunities that fit with our business model. We have evaluated a number of projects and opportunities during the past year and will continue to do so. We believe that management and our board of directors have the knowledge to appropriately evaluate opportunities – either organically or through mergers and acquisitions – and we will continue to do so.

## Results of Operations for the Three Month and Nine Month Periods ended June 30, 2014 and 2013

### Consolidated Results

(\$US)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
Exploration expenses :				
South Eureka/Lookout Mountain	\$ 117,458	\$ 214,282	\$ 297,355	\$ 1,241,950
Butte Highlands	-	28,862	-	28,862
Other exploration properties	40,180	90,327	112,907	209,365
Total exploration expenditures	157,638	333,471	410,262	1,480,177
Non-cash expenses:				
Stock option and stock issuance expense	-	-	-	10,000
Depreciation, amortization and accretion	3,572	8,249	13,839	26,475
Total non-cash expenses	3,572	8,249	13,839	36,475
Professional fees expense	223,607	53,960	360,070	162,719
Salaries and benefits	187,876	196,249	709,370	598,441
Gain on lease of mineral rights	-	(125,000)	-	(250,000)
Interest expense	9,897	-	10,836	-
Interest and other (income) expense	1,678	(2,358)	56,556	(63,802)
Other general and administrative expenses	72,198	129,519	281,845	483,883
Net loss	\$ (656,466)	\$ (594,090)	\$ (1,842,778)	\$ (2,447,893)

Our consolidated net loss for the three months ended June 30, 2014 was \$656,466 compared to a consolidated net loss of \$594,090 for the three months ended June 30, 2013. The year over year difference is primarily attributed to increased legal and accounting fees related to our proposed acquisition of Wolfpack and a gain on the lease of mineral rights in the 2013 quarter. Exploration expenditures were also significantly reduced, along with other general and administrative expenses. We expect to prudently increase our exploration activity in future periods with funding from our proposed acquisition of Wolfpack. Our exploration expenses at South Eureka were lower in the three months ended June 30, 2014 compared to the same period in 2013 primarily due to significant exploration work being delayed in the current period to preserve our financial resources.

Our consolidated net loss for the nine months ended June 30, 2014 was \$1,842,778 compared to a consolidated net loss of \$2,447,893 for the nine months ended June 30, 2013. The year over year difference is primarily attributable to a significant reduction in our exploration activity and general and administrative expenses offset by increased professional fees due to our acquisition activities during the period ended June 30, 2014, and a significant gain on lease of mineral rights in the 2013 period. We expect to prudently increase our exploration activity in future periods with funding from our proposed acquisition of Wolfpack. Our exploration expenses at South Eureka were significantly lower in the nine months ended June 30, 2014 compared to the same period in 2013 primarily due to significant exploration work being delayed in the current period to preserve our financial resources.

## ***Financial Condition and Liquidity***

At June 30, 2014, we had assets of \$16,210,340 consisting of cash in the amount of \$276,987; property, mineral rights and equipment, net of depreciation of \$14,153,156, and other assets in the amount of \$1,780,197.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of our assets and the settlement of our liabilities in the normal course of our operations. Disruptions in the credit and financial markets over the past several years have had a material adverse impact on a number of financial institutions and investors and have limited access to capital and credit for many companies. These disruptions, among other things, make it more difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations. Our access to additional capital may not be available on terms acceptable to us or at all. If we are unable to obtain financing through equity investments, we will seek multiple solutions including, but not limited to, asset sales, credit facilities or debenture issuances in order to continue as a going concern. Our anticipated acquisition of Wolfpack is expected to provide additional capital to finance our exploration operations.

At June 30, 2014, we had a working capital deficit of \$1,129,243, primarily due to the note payable to Wolfpack that is expected to be forgiven once the proposed acquisition of Wolfpack is completed in August 2014. As of the date of filing of this Quarterly Report on Form 10-Q, we have \$1,000,000 plus accrued interest in short-term debt and a cash balance of approximately \$75,000.

Management expects to increase the amount of working capital by completing the acquisition of Wolfpack, carefully managing discretionary exploration expenditures, minimizing professional and consulting expenses, and potentially obtaining financing through asset sales, equity investments, joint ventures, or other types of agreements or strategic arrangements. We plan, as funding allows, to continue exploration programs on our material exploration properties, to fund some exploratory activities and drilling on early-stage properties, or to seek additional acquisition opportunities.

We expect to be able to execute our short-term operating plans with our cash balance subsequent to our acquisition of Wolfpack. In order to execute our longer term exploration and development objectives, we anticipate the need to engage in financing transactions which may include equity financing, sales of assets, credit facilities or debenture issuances, or other strategic arrangements. Additional financing will be required to allow us to substantially advance our exploration program at our Lookout Mountain project, based on our current plans for that project. Butte Highlands continues to be carried to production (as defined in the joint venture agreement). Unexpected regulatory delays in permitting have, however, resulted in deferred receipts of cash flow. If and when extraction of mineralized material begins as anticipated in 2014, we should realize some income from our 20% share of project cash flows, with potential increased income after initial capital expenditures are repaid and our share of project cash flows increases to 50%. While this prospective income will serve to fund some of our ongoing exploration expenditures, we do not anticipate that it will initially be sufficient to fund such activities and that additional financing will still be necessary to fund our other exploration activities. Given current market conditions, we cannot provide assurance that necessary financing will be available to us on acceptable terms or at all.

## **Off-Balance Sheet Arrangements**

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

## **Critical Accounting Policies and Estimates**

See Note 2 to the financial statements contained in this Quarterly Report for a summary of the significant accounting policies used in the presentation of our financial statements. We are required to make estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue and expenses. We believe that our most critical accounting estimates are related to asset impairments and asset retirement obligations.

Our critical accounting policies and estimates are as follows:

### ***Asset Impairments***

Significant property acquisition payments for active exploration properties are capitalized. The evaluation of our mineral properties for impairment is based on market conditions for minerals, underlying mineralized material associated with the properties, and future costs that may be required for ultimate realization through mining operations or by sale. If no mineable ore body is discovered, or market conditions for minerals deteriorate, there is the potential for a material decline in the value assigned to such mineral properties.

We review the carrying value of equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from our use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the equipment is used, and the effects of obsolescence, demand, competition, and other economic factors.

#### ***Asset Retirement Obligations***

We have an obligation to reclaim our properties after the surface has been disturbed by exploration methods at the site. As a result, we have recorded a liability for the fair value of the reclamation costs we expect to incur at our Lookout Mountain Project. We estimate applicable inflation and credit-adjusted risk-free rates as well as expected reclamation time frames. To the extent that the estimated reclamation costs change, such changes will impact future reclamation expense recorded. A liability is recognized for the present value of estimated environmental remediation (asset retirement obligation) in the period in which the liability is incurred if a reasonable estimate of fair value can be made. The offsetting balance is charged to the related long-lived asset. Adjustments are made to the liability for changes resulting from passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Conclusions of Management Regarding Effectiveness of Disclosure Controls and Procedures**

At the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer, Paul Dirksen ("CEO") and Chief Financial Officer, Randal Hardy, ("CFO"), of the effectiveness of the design and operations of the Company's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Exchange Act). Based on that evaluation, the CEO and the CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in ensuring that: (i) information required to be disclosed by the Company in reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS.**

We are not aware of any material pending or threatened litigation, or of any proceedings known to be contemplated by governmental authorities which are, or would be, likely to have a material adverse effect upon us or our operations, taken as a whole. No director, officer or affiliate of Timberline and no owner of record or beneficial owner of more than 5% of our securities or any associate of any such director, officer or security holder is a party adverse to Timberline or has a material interest adverse to Timberline in reference to pending litigation.

### **ITEM 1A. RISK FACTORS**

Except as detailed below, there have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended September 30, 2013 which was filed with the SEC on December 18, 2013.

***Our ability to operate as a going concern is in doubt.***

The audit opinion and notes that accompany our consolidated financial statements for the year ended September 30, 2013, disclose a 'going concern' qualification to our ability to continue in business. The accompanying consolidated financial statements have been prepared under the assumption that we will continue as a going concern. We are an exploration stage company, and we have incurred losses since our inception. Management has determined that as of the date of this Quarterly Report on Form 10-Q, we do not have sufficient cash to fund normal operations and meet obligations for the next 12 months without completing the proposed acquisition of Wolfpack, deferring payment on certain obligations, and/or raising additional funds. We believe that the going concern condition cannot be removed until we receive additional financing and have entered into a business climate where funding of operations through continuing operations is more assured.

We currently have no historical recurring source of revenue and our ability to continue as a going concern is dependent on our ability to raise capital to fund our future exploration and working capital requirements or our ability to profitably execute our plan of operations. Our plans for the long-term return to, and continuation as, a going concern include financing our future operations through sales of our common stock and/or debt and the eventual profitable exploitation of our mining properties. Additionally, the current capital markets and general economic conditions in the United States are significant obstacles to raising the required funds. These factors raise substantial doubt about our ability to continue as a going concern.

The consolidated financial statements in our annual financial statements in our Form 10-K and in this Quarterly Report on Form 10-Q do not include any adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern basis was not appropriate for these financial statements, adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used.

**Risk Factors Related to the Arrangement**

***Timberline and Wolfpack may not be able to complete the acquisition or may elect to pursue a different strategic transaction, which may not occur on commercially reasonable terms or at all.***

Timberline cannot assure you that the acquisition of Wolfpack will close in a timely manner or at all. The arrangement agreement is subject to many closing conditions and termination rights. If Timberline and Wolfpack do not complete the merger, Timberline's and Wolfpack's boards of directors may elect to attempt to complete a different strategic transaction. Attempting to complete different strategic transactions would prove to be costly and time consuming, and Timberline cannot make any assurances that a future strategic transaction will occur on commercially reasonable terms or at all.

***The combined company may not realize the benefits from the transaction because of various challenges.***

The acquisition will involve the integration of companies that previously operated independently. Timberline's ability to realize the anticipated benefits of the acquisition will depend, in part, upon the following:

- the ability of Timberline to successfully integrate Wolfpack's business and processes with those of Timberline;
- how efficiently Timberline's officers can manage the operations of the combined company;
- the amount of charges associated with the purchase accounting for the acquisition;
- economic conditions affecting both the general economy and the mining industry in particular; and
- the actual closing date of the acquisition.

Some of these factors are also outside the control of either company. One or more of these factors could result in increased operating costs, lower revenues, lower earnings or losses or negative cash flows, any of which could reduce the price of Timberline's stock, harming your investment. To the extent Timberline pursues other acquisitions as part of its strategy, these risks may be exacerbated.

***If the proposed acquisition is not consummated, Timberline will have incurred substantial costs that may adversely affect Timberline's financial results and operations and the market price of Timberline Common Stock.***

Timberline has incurred and will incur substantial costs in connection with the proposed acquisition. These costs are primarily associated with the fees of attorneys and accountants. In addition, Timberline has diverted significant management resources in an effort to complete the acquisition. If the acquisition is not completed, Timberline will have incurred significant costs, including the diversion of management resources, for which it will have received little or no benefit.

The completion of the acquisition is subject to several conditions and risks, including, among other things, the risk that either Wolfpack or Timberline will fail to obtain the required securityholder or regulatory approvals. If the acquisition is not completed the price of Timberline Shares may decline to the extent that the relevant current market price reflects a market assumption that the acquisition will be completed and Timberline may be required to pay Wolfpack the applicable break fee, which could **adversely affect Timberline's financial condition.**

***The increased number of Timberline Shares as a result of the issuance of Timberline Shares pursuant to the proposed acquisition may increase the volatility of Timberline's share price.***

Although the issuance of Timberline Shares under in connection with the acquisition should increase liquidity in the market for such Timberline Shares, there may be greater volatility of market prices in the near term pending the creation of a stable stockholder base. Any such volatility could result in a decline in the market price of Timberline Shares.

***The value of Timberline Shares may be adversely affected by any inability of the combined company to achieve the benefits expected to result from the completion of the Arrangement.***

Achieving the benefits of the Arrangement will depend in part upon meeting the challenges inherent in the successful combination of business enterprises of the size and scope of Timberline and Wolfpack US and the possible resulting diversion of management attention for an extended period of time. There can be no assurance that the combined company will meet these challenges and that such diversion will not negatively impact the operations of the combined company

***The combined company may not realize the benefits of its growth projects.***

As part of its strategy, the combined company will continue existing efforts and initiate new efforts to develop gold and other mineral projects and will have a larger number of such projects as a result of the proposed acquisition. A number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labor, operating, technical and technological risks and uncertainties relating to capital and other costs and financing risks. The failure to successfully develop any of these initiatives could have a material adverse effect on the combined company's financial position and results of operations.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

All unregistered sales of equity securities have previously been disclosed on Form 8-K.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

## **ITEM 4. MINE SAFETY DISCLOSURES**

We consider health, safety and environmental stewardship to be a core value for the Company.

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities with respect to mining operations and properties in the United States that are subject to regulation by the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). During the quarter ended June 30, 2014, our U.S. exploration properties were not subject to regulation by the MSHA under the Mine Act.

## ITEM 5. OTHER INFORMATION.

None.

## ITEM 6. EXHIBITS.

- 10.1\*** Agreement between the Registrant and Timberline Drilling Inc. regarding early cash payment under the Drilling Services and Related Payments Obligations Agreement
- 10.2\*** Letter of Intent between the Registrant and Wolfpack dated March 11, 2014
- 10.3\*** Amended Letter of Intent between the Registrant and Wolfpack dated April 14, 2014
- 10.4** Arrangement Agreement between the Registrant and Wolfpack dated May 6, 2014, incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed with the Commission on May 15, 2014
  
- 31.1\*** Certification of Chief Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
- 31.2\*** Certification of Chief Financial Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
- 32.1\*** Certification of Chief Executive Officer pursuant to Section 18 U.S.C Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\*** Certification of Chief Financial Officer pursuant to Section 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 101.INS\*** XBRL Instance Document
- 101.SCH\*** XBRL Taxonomy Extension Schema Document
- 101.CAL\*** XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF\*** XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB\*** XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE\*** XBRL Taxonomy Extension Presentation Linkbase Document

\* - Filed herewith



## **SIGNATURES**

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

### **TIMBERLINE RESOURCES CORPORATION**

By: /s/ Paul Dirksen

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Paul Dirksen  
President, Chief Executive Officer and Chairman  
(Principal Executive Officer)

Date: August 6, 2014

By: /s/ Randal Hardy

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Randal Hardy  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

Date: August 6, 2014

Exhibit 10.1

February 10, 2014

PO Box 3784  
Coeur d'Alene, ID 83816

Mr. Randal Hardy  
Timberline Resources  
101 E Lakeside Avenue  
Coeur d'Alene, ID 83814

Dear Mr. Hardy,

Pursuant to the "Drilling Services and Related Payment Obligations Agreement", dated November 9, 2011, Timberline Drilling, Inc. has an obligation to make a payment or provide discounted drilling services to Timberline Resources in the amount of \$220,000 by November 9, 2014.

Timberline Resources desires to be paid in cash early on this obligation and Timberline Drilling, Inc. agrees to make a payment to Timberline Resources of \$150,000 on February 10, 2014 to satisfy the entire obligation due November 9, 2014. Future obligations beyond November 9, 2014 remain intact.

Please sign below indicating your agreement with the above referenced terms and indicating receipt of the payment.

Sincerely,

Lewis E. Walde  
Vice President-Finance  
Timberline Drilling, Inc.

Agreed to:

/s/ Randy Hardy

---

Randy Hardy, Chief Financial Officer  
Timberline Resources Corporation

Exhibit 10.2

**WOLFPACK GOLD CORP.**  
Suite 5, 5450 Riggins Court  
Reno, Nevada 89502

March 11, 2014

**STRICTLY PRIVATE AND CONFIDENTIAL**

Timberline Resources Corporation  
101 E. Lakeside  
Coeur d'Alene, ID 83814 USA

Dear Sirs/Mesdames,

**Re: Proposed Business Combination**

This letter of intent sets out the general terms and conditions in furtherance of the proposed business combination among Wolfpack Gold Corp. (“**Wolfpack**”) and Timberline Resources Corporation (“**Timberline**”) pursuant to which Timberline will acquire all of the shares of, or otherwise combine with Wolfpack.

The purpose of this letter is to set out indicative transaction terms (the “**Proposed Transaction**”) in order that, among other things, the parties may proceed to negotiate and settle the terms of a definitive agreement (the “**Definitive Agreement**”).

The parties will mutually agree on the final structure for proceeding with the Proposed Transaction following completion of due diligence and a review of tax, accounting, corporate and securities law issues.

**1. Indicative Terms**

The indicative terms of the Proposed Transaction are set forth in Schedule A attached hereto.

**2. Bridge Loan**

Immediately following execution of all relevant loan documentation (which is anticipated to include a grid promissory note, deed of trust and financing statement) (collectively, the “**Loan Documents**”) in forms acceptable to the parties (and, with respect to the deed of trust and financing statement, in a form appropriate for recording in the applicable public office) and receipt of all applicable regulatory approvals (including approval of the stock exchange(s) on which each Wolfpack and Timberline trade, as necessary), Wolfpack will make available to Timberline, on a non-revolving basis, US\$1,000,000 (the “**Loan**”) to fund the working capital needs of Timberline during the interim period prior to completion of the Proposed Transaction. This Loan will be funded from funds other than the current treasury of Wolfpack, which is

currently estimated to be US\$4,900,000 or the funding will be replaced to augment the treasury of Wolfpack to the pre-loan level in order for the transaction to proceed.

The Loan will be evidenced by a grid promissory note in a form satisfactory to the parties, and will be drawn by Timberline in an initial amount of US\$500,000, to be transferred by wire to Timberline's account following satisfaction of the terms contained elsewhere in this Section 2, and thereafter in tranches of US\$250,000, subject to the delivery by Timberline to Wolfpack of a funding request.

The Loan will bear interest at a rate equal to 5% per annum for the first six months and 10% thereafter (compounded annually) and mature and be repayable in full, with accrued interest, on the earlier of: (a) completion of the Proposed Transaction; and (b) one year and one day following the date on which the initial US\$500,000 is drawn. No payments of interest or principal will be due and payable prior to the maturity date. Timberline may prepay the principal and accrued interest at any time and from time to time prior to maturity without notice or penalty.

In the event that the Proposed Transaction for any reason does not complete prior to the maturity date, Wolfpack will have the right, at its option, to elect to receive all or a portion of the principal amount of the Loan and interest accrued thereon as at the maturity date in common shares of Timberline at a price equal to: (a) with respect to the principal amount of the Loan, the closing price of the Timberline shares on the day immediately prior to the date on which Timberline publicly announces the Loan; and (b) with respect to the accrued interest, the market price of the Timberline shares at the time of settlement. For greater certainty, in the event Wolfpack elects to receive cash in lieu of shares and Timberline does not have cash to settle the Loan, then Wolfpack may elect to exercise its security, as set forth below.

Repayment of the Loan will be secured in favour of Wolfpack by Timberline's right, title and interest in and to the Seven Troughs property located in Pershing County, Nevada (the "**Project**") together with all of the assets comprising the Project, including the drill and core data owned directly or indirectly by Timberline in relation thereto (collectively, the "**Data**"). Timberline will execute a deed of trust and financing statement in this regard in favor of Wolfpack, which documents Wolfpack will have the right to register against Timberline's interest in the Project in the appropriate public registries.

In the event Timberline decides for any reason to terminate discussions regarding the Proposed Transaction prior to execution of the Definitive Agreement, Timberline will, in consideration for Wolfpack making the Loan, assign to Wolfpack a 0.25% net smelter returns royalty in the Project.

The Loan or outstanding portion thereof, as appropriate, shall become due and payable in full if: (a) the Project is sold in whole or in part; (b) there is a Change of Control (to be defined on mutually accepted terms) in Timberline; or (c) there is an Event of Default (as defined below).

The promissory note will include positive and negative covenants customary for loans of this nature and mutually agreed upon by the parties including but without limitation, the following:

(a) with respect to positive covenants: (i) compliance with laws, (ii) maintenance of corporate existence, (iii) access to financial books and records on prior notice during regular business hours, (iv) maintenance of the Project in good standing and free from any claims, and (v) payment of taxes; and (b) with respect to negative covenants and in each case except with the consent of the lender or as otherwise contemplated in connection with the Proposed Transaction: (i) incur additional indebtedness, (ii) grant or suffer to exist any liens against the Project, other than those granted in connection with the Loan; (iii) merge or consolidate; or (iv) disposition of all or any interest in the Project.

The promissory note will also include events of default customary for transactions of this type (including a to be agreed cure period), including, but not limited to (each, an “**Event of Default**”): (a) material adverse change; (b) non-payment (which shall not be subject to any cure period); (c) false representations and warranties; (d) breach of covenants; (e) bankruptcy; (f) change of control; (g) unsatisfied judgments; (h) invalidity of security interests; and (i) abandonment of the Project.

Timberline represents and warrants to Wolfpack that, except for the Permitted Liens (as defined below), Timberline owns the Project and Data free and clear of any and all encumbrances, claims, liens or security interests of others. No security agreement, financing statement or other public notice with respect to all or any part of the Project and Data that evidences an encumbrance, lien or security interest securing any indebtedness of Timberline is on file or of record in any public office, except such as are Permitted Liens.

“**Permitted Liens**” means: (i) liens for real property axes that are not yet due and payable or are being contested in good faith; (ii) rights reserved to any governmental authority to regulate the affected properties; (iii) in the case of any leasehold interests, rights of the relevant lessors or sublessors and obligations reflected in the respective leases; (iv) in respect of unpatented mining claims the paramount title of the United States of America or any other governmental authority, if any; (v) any matter that is reflected in public real property records; and (vi) any defect in title not created by or through Timberline that does not materially and adversely individually or in the aggregate affect the aggregate value of Timberline’s properties or the ability of Timberline to realize the economic benefits thereof.

### **3. Exclusivity**

In connection with the evaluation of the Proposed Transaction and in consideration for the time expended and expenses incurred by each of them with respect to the Proposed Transaction, each of the parties agrees to deal exclusively and in good faith with the other party in regards to the Proposed Transaction, including without limitation, the settling of the form of the Definitive Agreement during the period (the “**Exclusivity Period**”) from the date of this letter of intent until the earlier of (i) 11:59PM PDST on April 22, 2014, (ii) the date of the execution of a mutually acceptable Definitive Agreement, or (iii) the date, if any, upon which the parties mutually agree in writing to terminate discussions.

During the Exclusivity Period, and with the exception of the completion by the parties of the Pre-Merger Transactions (as defined below) contemplated in Schedule A hereof, neither Wolfpack or Timberline will, and each of such will cause its subsidiaries and its and their respective directors, officers, employees, representatives, advisors and agents (collectively, “**Agents**”) not to, in each case, directly or indirectly:

- (a) solicit, initiate, encourage, facilitate or accept any inquiry, proposal or offer (an “**Acquisition Proposal**”) from any person (other than the parties hereto) with respect to any of the following transactions (“**Alternative Transactions**”) between such party or any of its affiliates and any person:
  - (i) the acquisition or purchase by any person or group of persons acting jointly or in concert of any capital stock or other voting securities, or securities convertible into or exercisable or exchangeable for any capital stock or other voting securities, of such party or any of its affiliates representing 10% or more of the outstanding voting securities of such party or such affiliate, on a fully diluted basis, or of all or a material portion of the assets of such party or any of its affiliates; provided however, that Wolfpack acknowledges and agrees that the above exclusivity provisions do not and will not require that Timberline cease any current discussions and negotiations with potential joint-venture partners for any of its Nevada properties, with the exception of Seven Troughs and the South Eureka Projects (including Lookout Mountain), and do not and will not prevent Timberline from entering into a joint-venture arrangement in connection with any of its Nevada properties, with the exception of Seven Troughs and South Eureka, as such joint-venture may be approved by the board of directors of Timberline and subject to the consent of Wolfpack under Section 5 hereof;
  - (ii) a merger, recapitalization, restructuring, reorganization, amalgamation, arrangement, joint venture or other business combination involving such party or any of its affiliates; or
  - (iii) any other extraordinary business transaction involving or otherwise relating to such party or any of its affiliates;
- (b) participate in any discussions, conversations, negotiations or other communications with any person with respect to an Alternative Transaction;
- (c) enter into any agreement, arrangement or understanding with respect to an Alternative Transaction or pursuant to which such party may be required to delay, abandon, terminate or fail to consummate the Proposed Transaction; or
- (d) furnish any information to any person in connection with a proposed Alternative Transaction or otherwise assist, facilitate or encourage the making of, or cooperate in any way regarding, any Acquisition Proposal.

In addition, each of the parties agrees to cease and terminate immediately, and to cause its Agents to cease and terminate immediately, any existing negotiations, discussions, conversations or other communications with respect to any Alternative Transaction.

Each party shall promptly advise all other parties of its receipt of any Acquisition Proposal and any request for information that may reasonably be expected to lead to or is otherwise related to any Acquisition Proposal, the identity of the person making such Acquisition Proposal or request for information and the terms and conditions of such Acquisition Proposal and shall refrain from engaging in any communication that may encourage the continuation or pursuit of such Acquisition Proposal.

#### **4. Confidentiality**

The parties agree to treat this agreement and all terms and conditions hereof, and all data, reports, records, and other information, coming into the possession of the parties and their employees, affiliates and agents by virtue hereof (collectively, the “**Confidential Information**”) as confidential, except if disclosure of such Confidential Information is required by applicable law or by any government authority. Such Confidential Information will not be otherwise disclosed to any person without the prior consent of the affected party or parties, which consent will not be unreasonably withheld.

The foregoing consent requirement will not apply to a disclosure to:

- (a) comply with any applicable laws, or any government authority having jurisdiction, including but not limited to disclosure obligations under the rules of applicable stock exchanges and Timberline’s obligations to file current reports on Form 8-K upon the occurrence of certain definitive events;
- (b) a director, officer or employee of a party;
- (c) an affiliate of a party; or
- (d) an agent of a party that has a bona fide need to be informed.

The obligations of confidentiality and prohibitions against use under this letter of intent will not apply to information that the disclosing party can show by reasonable documentary evidence or otherwise:

- (a) as of the date hereof, was in the public domain, other than as a result of a breach of this Section 4;
- (b) after the date hereof, was published or otherwise became part of the public domain through no fault of the disclosing party or an affiliate thereof (but only after, and only to the extent that, it is published or otherwise becomes part of the public domain); or

- (c) was information that the disclosing party or its affiliates were required to disclose pursuant to the order of any government authority or judicial authority.

## **5. Conduct of Business**

During the Exclusivity Period, each of the parties agrees that it will advise the other party, on an ongoing basis, of its business operations and except as expressly contemplated hereby will not enter into any material agreement or any agreement with any insider, issue any securities (other than pursuant to the exercise of options or warrants outstanding as of the date hereof or the issuance of stock options to newly hired employees or as required by agreements in force and effect prior to the date hereof) or incur any material expenditures outside the ordinary course of business without the prior consent of the other party, such consent not to be unreasonably withheld. The Definitive Agreement will contain similar restrictions.

## **6. Due Diligence**

Promptly following the execution hereof, each party will commence its due diligence investigation of the other party and their respective properties. Each party will make available to the other party all such information concerning itself and its business, affairs and properties as the others may reasonably request for purposes of determining if they wish to proceed with the Proposed Transaction. Each party will, prior to 5:00 PM PDST April 7, 2014, confirm to the other party in writing whether or not it is satisfied with the results of its due diligence investigation. If all parties are satisfied with their due diligence, all parties will be committed to negotiate in good faith and execute the Definitive Agreement and proceed with the Proposed Transaction described herein subject only to the other conditions in this letter of intent and the Definitive Agreement. Alternatively, if a party is not satisfied with the results of its due diligence investigation, no party will have any further obligations hereunder.

## **7. Costs of Proposed Transaction**

All fees and expenses incurred in connection with the Proposed Transaction will be borne by the party incurring such expenses.

## **8. Binding Effect**

It is understood that this letter of intent merely constitutes a statement of the parties' mutual intentions with respect to the Proposed Transaction, it does not contain all matters upon which agreement must be reached for the Proposed Transaction to be consummated, and therefore this letter of intent does not constitute (except as specifically set forth below) a binding commitment of any of the parties with respect to the Proposed Transaction or any other matter. A binding commitment with respect to the Proposed Transaction will result only after the parties are satisfied with the results of their respective due diligence and the parties have executed the Definitive Agreement, which agreement will be subject to the conditions expressed herein and therein. Notwithstanding the two preceding sentences, upon acceptance hereof as described below, the provisions of Sections 2 to 8, inclusive (collectively, the "**Binding Provisions**") shall be legally binding upon and enforceable against the parties hereto.



## 9. Miscellaneous

This letter of intent constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto.

No amendment to this letter of intent will be valid or binding unless set forth in writing and duly executed by each of the parties hereto. No waiver of any breach of any provision of this letter of intent will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived. Any agreement as to the extension or waiver of any provision of this letter of intent by any party will be valid only if in writing signed by such party.

No assignment or transfer of any party's rights or obligations under this letter of intent shall be made except with the prior written consent of the other parties. Any assignment or transfer purported to be made in violation of the preceding sentence shall be null and void. The Binding Provisions shall be binding on and enure to the benefit of the parties and their successors and permitted assigns.

The parties hereto agree that monetary damages would not alone be sufficient to remedy any breach by a party hereto of any term or provision of this letter of intent and that each party hereto will also be entitled to seek equitable relief, including injunction and specific performance, in the event of any breach hereof and in addition to any other remedy available pursuant to this letter of intent or at law or in equity. Each party hereto further waives any requirement for the deposit of security or posting of any bond in connection with any equitable remedy.

Time shall be of the essence of this letter of intent.

This letter of intent will be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any conflicts or choice of laws provisions thereunder.

This letter of intent may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery of an executed signature page to this letter of intent by any party by electronic transmission will be as effective as delivery of a manually executed copy of this letter of intent by such party.

*[Remainder of this page left intentionally blank; execution page follows]*

If the foregoing is acceptable to you, please so indicate by executing the duplicate copy of this letter which is enclosed for return to us on or before 11:59 p.m. (Pacific Standard time) on March 11, 2014.

Yours truly,

**WOLFPACK GOLD CORP.**

/s/ William Sheriff, Director  
By: \_\_\_\_\_  
Authorized Signatory

Agreed to as of the \_\_\_\_ day of March, 2014.

**TIMBERLINE RESOURCES CORPORATION**

/s/ Paul E. Dirksen  
By: \_\_\_\_\_  
Authorized Signatory

## SCHEDULE A

### Indicative Terms

Pre-Transaction Reorganizations:	<p>Immediately prior to completion of the Proposed Transaction:</p> <ul style="list-style-type: none"><li>• Timberline will use its best efforts to divest itself of the Butte Highlands Gold Project, located in Butte, Montana; and</li><li>• Wolfpack will use its best efforts to divest itself of its Uranium assets.</li><li>• It is anticipated that these divestitures will result in the shareholders of the respective companies receiving these interests in one form or another on an exclusive and pre-merger basis with no benefit to the other party.</li></ul> <p>The mechanism by which the above will be accomplished will be identified and agreed to before 5:00 PM (PDST) April 7, 2014.</p>
Transaction:	<p>Timberline will acquire all of the outstanding shares of Wolfpack in exchange for common shares in the capital of Timberline in accordance with an exchange ratio that will result, on completion of the Proposed Transaction, in former Wolfpack shareholders holding, as a group, approximately 50% of the outstanding Timberline shares.</p>
Structure:	<p>The parties will mutually agree on the final structure for proceeding with the Proposed Transaction following completion of due diligence and a review of tax, accounting, corporate and securities law issues.</p>
Convertible Securities:	<p>From execution of the Definitive Agreement until closing, the parties will use reasonable commercial efforts to cause their respective directors, officers and employees to exercise outstanding stock options. Prior to closing of the Proposed Transaction all unexercised options will be exercised, cancelled, terminated or repriced on terms to be agreed by the parties in the Definitive Agreement, acting reasonably.</p> <p>Holders of unexercised warrants of Wolfpack will have their warrants converted into warrants of Timberline.</p>
Pre Close Financing:	<p>It is anticipated that Wolfpack will arrange financing in advance of closing in the amount of approximately US\$1,000,000, in the form of marketable securities, cash or a combination thereof. Any participant investing at least US\$250,000 will be granted a right of first refusal to maintain their pro-rata ownership in its entirety (not just as to this specific investment) in any subsequent financing. For greater certainty, completion of such financing is not a condition precedent to completion of the Proposed Transaction but may affect the final ownership ratio. This financing in combination with the debt forgiveness as a result of the closing of the Proposed Transaction will result in a net effective cash infusion to Timberline of approximately US\$6,700,000, consisting of the current treasury of Wolfpack less operating expenses in the amount of US\$200,000, plus the proceeds of the Loan and the new financing contemplated herein.</p>
Reverse Stock Split:	<p>The Proposed Transaction will include a reverse stock split in a range reasonably determined to assure a mutually agreed upon per-share target price following the reverse stock split. Concurrent with the closing of the Proposed Transaction, Timberline shall undertake the agreed upon reverse stock split of the common stock as determined by the parties.</p>
Name Change:	<p>Timberline will seek approval from its shareholders for a name change in the proxy materials mailed to its shareholders in connection with the Proposed Transaction, authorizing Timberline to change its name in the event the parties agree upon a new name at closing.</p>

Board of Directors:	Upon closing of the Proposed Transaction, the current board of directors of Timberline will be reconstituted to consist of 6 directors, three of whom will be nominated by Wolfpack and three of whom will be nominated by Timberline.
Officers:	The president and chief financial officer of Timberline will be individuals to be approved by mutual agreement of the parties prior to execution of the Definitive Agreement.
Employees:	New management of Timberline will, prior to closing, determine those employees of each of Wolfpack and Timberline it wishes to retain. Such employees will be eligible to receive stock options of Timberline following closing as determined by new management and the new board of Timberline.
Definitive Agreement:	Final terms of the Proposed Transaction will be set out in the Definitive Agreement. The Definitive Agreement will contain, subject to the results of due diligence, representations and warranties for the benefit of each of the parties, conditions relating to shareholder and regulatory approvals, material adverse changes and compliance with the Definitive Agreement as are in each case customary in comparable transactions of this nature.
Conditions to Closing of the Transaction:	<p>Closing of the Proposed Transaction is subject to a number of conditions being satisfied or waived by one or more of the parties at or prior to closing, including the following;</p> <ul style="list-style-type: none"><li>• execution of a mutually acceptable Definitive Agreement on or before April 22, 2014;</li><li>• satisfactory completion of due diligence by each of the parties prior to execution of the Definitive Agreement;</li><li>• receipt of all required shareholder approvals, together with any requisite minority approvals;</li><li>• accuracy of the representations and warranties of each of the parties contained in the Definitive Agreement as of the date made and the closing date;</li><li>• the covenants of the parties in the Definitive Agreement required to be satisfied before closing must have been satisfied or waived;</li><li>• no material adverse change with respect to the parties having occurred;</li><li>• receipt of appropriate fairness opinions, if required;</li><li>• no injunction or order in effect by any governmental authority prohibiting the Proposed Transaction; and</li><li>• the receipt of all required regulatory, stock exchange, creditor, court and third party approvals, consents, permits, waivers, exemptions and orders.</li></ul>
Exclusivity:	The Definitive Agreement will contain mutually binding exclusivity provisions similar in effect to those set out in the letter of intent to which this term sheet is attached. The Definitive Agreement will contain customary “fiduciary out” provisions for the board of directors of each of the parties in the case of a superior proposal with the other party receiving a matching right. There will be a break fee in the amount of US\$500,000 payable by a party electing to terminate the Definitive Agreement to accept a superior proposal.
Completion Date:	Anticipated to occur approximately three to four months from the date of execution of the Definitive Agreement.
Board Approval:	Prior to public announcement, the boards of each of the parties will have approved the Proposed Transaction.

**Exhibit 10.3**

**TIMBERLINE RESOURCES CORPORATION**

101 E. Lakeside  
Coeur d'Alene, ID 83814 USA

April 10, 2014

**STRICTLY PRIVATE AND CONFIDENTIAL**

Wolfpack Gold Corp.  
Suite 5, 5450 Riggins Court  
Reno, Nevada 89502 USA

Dear Sirs/Mesdames,

**Re: Amended Terms for Proposed Business Combination**

This amended letter of intent (the “**Amended Letter of Intent**”) sets out the amended and restated general terms and conditions in furtherance of the proposed business combination among Wolfpack Gold Corp. (“**Wolfpack**”) and Timberline Resources Corporation (“**Timberline**”) as previously memorialized in our letter of intent dated effective March 11, 2014 (“**Prior Letter of Intent**”), pursuant to which Timberline will acquire all of the shares of, or otherwise combine with Wolfpack (the “**Proposed Transaction**”).

The purpose of this Amended Letter of Intent is to set out amended indicative transaction terms for the Proposed Transaction in order that, among other things, the parties may proceed to negotiate and settle the terms of a definitive agreement (the “**Definitive Agreement**”).

The parties will mutually agree on the final structure for proceeding with the Proposed Transaction following completion of due diligence and a review of tax, accounting, corporate and securities law issues.

This Amended Letter of Intent amends and restates the Prior Letter of Intent and supersedes it in its entirety.

**1. Indicative Terms**

The amended indicative terms of the Proposed Transaction are set forth in Schedule A attached hereto.

**2. Bridge Loan**

Wolfpack has made available to Timberline, on a non-revolving basis, US\$1,000,000 (the “**Loan**”) to fund the working capital needs of Timberline during the interim period prior to

completion of the Proposed Transaction pursuant to a promissory note (the “**Note**”) and deed of trust, security agreement, assignment of leases and rents and fixture filing to secure promissory note (the “**Deed of Trust**”) both dated effective March 14, 2014. This Loan was funded, in relation to the initial advance of US\$500,000 to Timberline, and will be funded in relation to any additional advances, in tranches of US\$250,000, subject to the delivery by Timberline to the lender of a funding request, from funds in the current treasury of Wolfpack, estimated to be CAD\$4,900,000, prior to the Initial Advance and estimated operating expenses of CAD\$200,000.

The Loan will continue to be governed by the terms and conditions of the Note and Deed of Trust and those documents are not in any way revised, amended or otherwise superseded by this Amended Letter of Intent.

### **3. Exclusivity**

In connection with the evaluation of the Proposed Transaction and in consideration for the time expended and expenses incurred by each of them with respect to the Proposed Transaction, each of the parties agrees to deal exclusively and in good faith with the other party in regards to the Proposed Transaction, including without limitation, the settling of the form of the Definitive Agreement during the period (the “**Exclusivity Period**”) from the date of the Prior Letter of Intent until the earlier of (i) 5:00PM PDST on May 5, 2014, (ii) the date of the execution of a mutually acceptable Definitive Agreement, or (iii) the date, if any, upon which the parties mutually agree in writing to terminate discussions.

During the Exclusivity Period, and with the exception of the completion by Wolfpack of its Pre-Merger Transaction as contemplated in Schedule A hereof, neither Wolfpack or Timberline will, and each of such will cause its subsidiaries and its and their respective directors, officers, employees, representatives, advisors and agents (collectively, “**Agents**”) not to, in each case, directly or indirectly:

- (a) solicit, initiate, encourage, facilitate or accept any inquiry, proposal or offer (an “**Acquisition Proposal**”) from any person (other than the parties hereto) with respect to any of the following transactions (“**Alternative Transactions**”) between such party or any of its affiliates and any person:
  - (i) the acquisition or purchase by any person or group of persons acting jointly or in concert of any capital stock or other voting securities, or securities convertible into or exercisable or exchangeable for any capital stock or other voting securities, of such party or any of its affiliates representing 10% or more of the outstanding voting securities of such party or such affiliate, on a fully diluted basis, or of all or a material portion of the assets of such party or any of its affiliates; provided however, that Wolfpack acknowledges and agrees that the above exclusivity provisions do not and will not require that Timberline cease any discussions and negotiations that were ongoing as of the date of the Initial Letter of Intent with potential joint-venture partners for any of its Nevada properties, with the exception of

Seven Troughs and the South Eureka Projects (including Lookout Mountain), and do not and will not prevent Timberline from entering into a joint-venture arrangement in connection with any of its Nevada properties, with the exception of Seven Troughs and South Eureka, as such joint-venture may be approved by the board of directors of Timberline and subject to the consent of Wolfpack under Section 5 hereof;

- (ii) a merger, recapitalization, restructuring, reorganization, amalgamation, arrangement, joint venture or other business combination involving such party or any of its affiliates; or
  - (iii) any other extraordinary business transaction involving or otherwise relating to such party or any of its affiliates;
- (b) participate in any discussions, conversations, negotiations or other communications with any person with respect to an Alternative Transaction;
  - (c) enter into any agreement, arrangement or understanding with respect to an Alternative Transaction or pursuant to which such party may be required to delay, abandon, terminate or fail to consummate the Proposed Transaction; or
  - (d) furnish any information to any person in connection with a proposed Alternative Transaction or otherwise assist, facilitate or encourage the making of, or cooperate in any way regarding, any Acquisition Proposal.

In addition, each of the parties agrees to cease and terminate immediately, and to cause its Agents to cease and terminate immediately, any existing negotiations, discussions, conversations or other communications with respect to any Alternative Transaction.

Each party shall promptly advise all other parties of its receipt of any Acquisition Proposal and any request for information that may reasonably be expected to lead to or is otherwise related to any Acquisition Proposal, the identity of the person making such Acquisition Proposal or request for information and the terms and conditions of such Acquisition Proposal and shall refrain from engaging in any communication that may encourage the continuation or pursuit of such Acquisition Proposal.

#### **4. Confidentiality**

The parties agree to treat this agreement and all terms and conditions hereof, and all data, reports, records, and other information, coming into the possession of the parties and their employees, affiliates and agents by virtue hereof (collectively, the “**Confidential Information**”) as confidential, except if disclosure of such Confidential Information is required by applicable law or by any government authority. Such Confidential Information will not be otherwise disclosed to any person without the prior consent of the affected party or parties, which consent will not be unreasonably withheld.

The foregoing consent requirement will not apply to a disclosure to:

- (a) comply with any applicable laws, or any government authority having jurisdiction, including but not limited to disclosure obligations under the rules of applicable stock exchanges and Timberline's obligations to file current reports on Form 8-K upon the occurrence of certain definitive events;
- (b) a director, officer or employee of a party;
- (c) an affiliate of a party; or
- (d) an agent of a party that has a bona fide need to be informed.

The obligations of confidentiality and prohibitions against use under this letter of intent will not apply to information that the disclosing party can show by reasonable documentary evidence or otherwise:

- (a) as of the date hereof, was in the public domain, other than as a result of a breach of this Section 4;
- (b) after the date hereof, was published or otherwise became part of the public domain through no fault of the disclosing party or an affiliate thereof (but only after, and only to the extent that, it is published or otherwise becomes part of the public domain); or
- (c) was information that the disclosing party or its affiliates were required to disclose pursuant to the order of any government authority or judicial authority.

## **5. Conduct of Business**

During the Exclusivity Period, each of the parties agrees that it will advise the other party, on an ongoing basis, of its business operations and except as expressly contemplated hereby will not enter into any material agreement or any agreement with any insider, issue any securities (other than pursuant to the exercise of options or warrants outstanding as of the date hereof or the issuance of stock options to newly hired employees or as required by agreements in force and effect prior to the date hereof) or incur any material expenditures outside the ordinary course of business without the prior consent of the other party, such consent not to be unreasonably withheld. The Definitive Agreement will contain similar restrictions.



## **6. Due Diligence**

Promptly following the execution hereof, each party will commence its due diligence investigation of the other party and their respective properties. Each party will make available to the other party all such information concerning itself and its business, affairs and properties as the others may reasonably request for purposes of determining if they wish to proceed with the Proposed Transaction. Each party will, prior to 5:00 PM PDST April 18, 2014, confirm to the other party in writing whether or not it is satisfied with the results of its due diligence investigation. If all parties are satisfied with their due diligence, all parties will be committed to negotiate in good faith and execute the Definitive Agreement and proceed with the Proposed Transaction described herein subject only to the other conditions in this Amended Letter of Intent and the Definitive Agreement. Alternatively, if a party is not satisfied with the results of its due diligence investigation, no party will have any further obligations hereunder.

## **7. Costs of Proposed Transaction**

All fees and expenses incurred in connection with the Proposed Transaction will be borne by the party incurring such expenses.

## **8. Binding Effect**

It is understood that this Amended Letter of Intent merely constitutes a statement of the parties' mutual intentions with respect to the Proposed Transaction, it does not contain all matters upon which agreement must be reached for the Proposed Transaction to be consummated, and therefore this Amended Letter of Intent does not constitute (except as specifically set forth below) a binding commitment of any of the parties with respect to the Proposed Transaction or any other matter. A binding commitment with respect to the Proposed Transaction will result only after the parties are satisfied with the results of their respective due diligence and the parties have executed the Definitive Agreement, which agreement will be subject to the conditions expressed herein and therein. Notwithstanding the two preceding sentences, upon acceptance hereof as described below, the provisions of Sections 2 to 8, inclusive (collectively, the "**Binding Provisions**") shall be legally binding upon and enforceable against the parties hereto.

## **9. Miscellaneous**

This Amended Letter of Intent constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties hereto with respect thereto.

No amendment to this Amended Letter of Intent will be valid or binding unless set forth in writing and duly executed by each of the parties hereto. No waiver of any breach of any provision of this Amended Letter of Intent will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived. Any agreement as to the extension or waiver of any provision of this Amended Letter of Intent by any party will be valid only if in writing signed by such party.

No assignment or transfer of any party's rights or obligations under this Amended Letter of Intent shall be made except with the prior written consent of the other parties. Any assignment or transfer purported to be made in violation of the preceding sentence shall be null and void. The Binding Provisions shall be binding on and enure to the benefit of the parties and their successors and permitted assigns.

The parties hereto agree that monetary damages would not alone be sufficient to remedy any breach by a party hereto of any term or provision of this Amended Letter of Intent and that each party hereto will also be entitled to seek equitable relief, including injunction and specific performance, in the event of any breach hereof and in addition to any other remedy available pursuant to this Amended Letter of Intent or at law or in equity. Each party hereto further waives any requirement for the deposit of security or posting of any bond in connection with any equitable remedy.

Time shall be of the essence of this Amended Letter of Intent.

This Amended Letter of Intent will be governed by and construed in accordance with the laws of the State of Delaware without giving effect to any conflicts or choice of laws provisions thereunder.

This Amended Letter of Intent may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery of an executed signature page to this Amended Letter of Intent by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Amended Letter of Intent by such party.

*[Remainder of this page left intentionally blank; execution page follows]*

If the foregoing is acceptable to you, please so indicate by executing the duplicate copy of this letter which is enclosed for return to us on or before 11:59 p.m. (Pacific Standard time) on April 14, 2014.

Yours truly,

**TIMBERLINE RESOURCES  
CORPORATION**

/s/ Paul E. Dirksen

By: \_\_\_\_\_  
Authorized Signatory

Agreed to as of the 14th day of April, 2014.

**WOLFPACK GOLD CORP.**

/s/ William Sheriff, Director  
By: \_\_\_\_\_  
Authorized Signatory

## SCHEDULE A

### Indicative Terms

Pre-Merger Transaction:	<p>Immediately prior to completion of the Proposed Transaction:</p> <ul style="list-style-type: none"><li>• Wolfpack will use its best efforts to divest itself of its Uranium assets.</li><li>• It is anticipated that such divestiture will result in the shareholders of Wolfpack receiving these interests in one form or another on an exclusive and pre-merger basis with no benefit to Timberline or its shareholders.</li></ul> <p>The mechanism by which the above will be accomplished will be identified and agreed to before 5:00 PM (PDST) April 21, 2014.</p>
Transaction:	<p>Timberline will acquire all of the outstanding common shares of Wolfpack in exchange for shares of common stock in the capital of Timberline at the ratio of 0.75 shares of Timberline for each share of Wolfpack.</p>
Structure:	<p>The parties will mutually agree on the final structure for proceeding with the Proposed Transaction following completion of due diligence and a review of tax, accounting, corporate and securities law issues.</p>
Convertible Securities:	<p>From execution of the Definitive Agreement until closing, Wolfpack will use reasonable commercial efforts to cause its respective directors, officers and employees to exercise outstanding stock options. Prior to closing of the Proposed Transaction all unexercised options will be exercised, cancelled, terminated or repriced on terms to be agreed by the parties in the Definitive Agreement, acting reasonably.</p> <p> Holders of unexercised warrants of Wolfpack will have their warrants converted into warrants of Timberline.</p>
Pre-Close Financing:	<p>Wolfpack will arrange financing in advance of closing in the amount of at least CAD\$500,000, in the form of marketable securities, cash or a combination thereof. Any participant investing at least CAD\$250,000 will be granted a right of first refusal to maintain their pro-rata ownership in its entirety (not just as to this specific investment) in any subsequent financing. For greater certainty, completion of such financing for at least CAD\$500,000 is a condition precedent to completion of the Proposed Transaction. This financing in combination with the debt forgiveness as a result of the closing of the Proposed Transaction will result in a net effective cash infusion to Timberline of approximately CAD\$5,200,000, consisting of the current treasury of Wolfpack less operating expenses in the amount of CAD\$200,000, plus the proceeds of the Loan and the new financing of at least \$500,000 contemplated herein.</p>
Reverse Stock Split:	<p>The Proposed Transaction will include a reverse stock split in a range reasonably determined to assure a mutually agreed upon per-share target price following the reverse stock split. Concurrent with the closing of the Proposed Transaction, Timberline shall undertake the agreed upon reverse stock split of the common stock as determined by the parties.</p>
[Name Change:	<p><b>Timberline will seek approval from its shareholders for a name change in the proxy materials mailed to its shareholders in connection with the Proposed Transaction, authorizing Timberline to change its name in the event the parties agree upon a new name at closing.]</b></p>

- Board of Directors: Upon closing of the Proposed Transaction, the current board of directors of Timberline will be reconstituted to consist of 5 directors, two of whom will be nominated by Wolfpack and three of whom will be nominated by Timberline. William Sheriff of Wolfpack will be appointed as Chairman of the Board.
- Officers: Paul Dirksen will continue as the president and chief executive officer of Timberline post-acquisition and Randy Hardy will continue as the chief financial officer of Timberline post-acquisition.
- Employees: Management of Timberline will, prior to closing in consultation with Wolfpack, determine those employees of each of Wolfpack and Timberline it wishes to retain. Such employees will be eligible to receive stock options of Timberline following closing as determined by management and the new board of Timberline.
- Definitive Agreement: Final terms of the Proposed Transaction will be set out in the Definitive Agreement. The Definitive Agreement will contain, subject to the results of due diligence, representations and warranties for the benefit of each of the parties, conditions relating to shareholder and regulatory approvals, material adverse changes and compliance with the Definitive Agreement as are in each case customary in comparable transactions of this nature.
- Conditions to Closing of the Transaction: Closing of the Proposed Transaction is subject to a number of conditions being satisfied or waived by one or more of the parties at or prior to closing, including the following;
- execution of a mutually acceptable Definitive Agreement on or before May 5, 2014.
  - satisfactory completion of due diligence by each of the parties prior to execution of the Definitive Agreement;
  - receipt of all required shareholder approvals, together with any requisite minority approvals;
  - accuracy of the representations and warranties of each of the parties contained in the Definitive Agreement as of the date made and the closing date;
  - the covenants of the parties in the Definitive Agreement required to be satisfied before closing must have been satisfied or waived;
  - no material adverse change with respect to the parties having occurred;
  - receipt of appropriate fairness opinions, if required;
  - no injunction or order in effect by any governmental authority prohibiting the Proposed Transaction; and
  - the receipt of all required regulatory, stock exchange, creditor, court and third party approvals, consents, permits, waivers, exemptions and orders.
- Exclusivity: The Definitive Agreement will contain mutually binding exclusivity provisions similar in effect to those set out in the letter of intent to which this term sheet is attached. The Definitive Agreement will contain customary “fiduciary out” provisions for the board of directors of each of the parties in the case of a superior proposal with the other party receiving a matching right. There will be a break fee in the amount of US\$500,000 payable by a party electing to terminate the Definitive Agreement to accept a superior proposal.
- Completion Date: Anticipated to occur approximately three to four months from the date of execution of the Definitive Agreement.
- Board Approval: Prior to public announcement, the boards of each of the parties will have approved the Proposed Transaction.

**CERTIFICATION**

I, Paul Dircksen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Timberline Resources Corporation,
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

By: /s/ Paul Dircksen

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Paul Dircksen  
President, Chief Executive Officer & Chairman  
Principal Executive Officer

**CERTIFICATION**

I, Randal Hardy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Timberline Resources Corporation,
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2014

By: /s/ Randal Hardy

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Randal Hardy  
Chief Financial Officer  
Principal Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Timberline Resources Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul Dirksen, President, Chief Executive Officer and Chairman of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2014

By: /s/ Paul Dirksen

\_\_\_\_\_  
Paul Dirksen  
President, Chief Executive Officer & Chairman  
Principal Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.



CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Timberline Resources Corporation (the "Company") on Form 10-Q for the quarter ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randal Hardy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2014

By: /s/ Randal Hardy

\_\_\_\_\_  
Randal Hardy  
Chief Financial Officer  
Principal Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.