

# Insider Trading and Confidentiality

## Background

Timberline Resources Corporation (TLR) and its employees worldwide must act in a manner that does not misuse material financial or other information that has not been publicly disclosed. Failure to do so breaches our Code of Conduct. Also, insider trading violates laws that impose strict penalties upon both companies and individuals, including both financial sanctions and possibly prison.

Maintaining the confidence of shareholders and the public markets is important. The principle underlying TLR's policy is fairness in dealings with other persons, which requires that TLR employees not take personal advantage of undisclosed information.

## Policy

No TLR employee may trade in TLR securities unless the employee is sure that he or she does not possess material inside information. No TLR employee may disclose such information to others who might use it for trading or might pass it along to others who might trade.

Similarly, employees may not trade in securities of any other company unless they are sure that they do not possess any material inside information about that company which they obtained in the course of their employment with TLR, such as information about a major contract or merger being negotiated.

This Policy applies to all directors and employees of TLR and of each domestic and foreign subsidiary, partnership, venture or other business association that is effectively controlled by TLR directly or indirectly.

The existence of a personal financial emergency does not excuse compliance with this Policy.

See "Additional Guidance".

## Definitions

Securities include common stock and derivative securities such as put and call options and convertible debentures or preferred stock, as well as debt securities such as bonds and notes.

Trading includes buying or selling, as well as writing options. It does not include purchasing stock under an employee option or making a gift that does not satisfy a legal obligation.

Material information is any information that a reasonable investor would consider important in a decision to buy, sell or hold the securities. Any information that could reasonably be expected to affect the price of the securities is likely to be considered material. Examples of material information include unexpected financial results, proposed major mergers and acquisitions, sale of major assets, changes in dividends, an extraordinary item for accounting purposes, and important business developments such as major raw material shortages or discoveries or major litigation. The information may be positive or negative. The public, the media, and the courts may use hindsight in judging what is material.

Inside means the information has not yet become publicly available. Release of information to the media does not immediately free insiders to trade. Insiders should refrain from trading until the market has had an opportunity to absorb and evaluate the information. If the information has been widely disseminated, it is usually sufficient to wait until the day following publication or filing.

## Additional Guidance

### Short sales are prohibited

Short sales of TLR securities (a sale of securities which are not then owned), including a "sale against the box" (a sale with delayed delivery) are prohibited.

### **Standing Orders**

Standing orders (except standing orders under approved Rule 10b5-1 plans, see below) should be used only for a very brief period of time. The problem with purchases or sales resulting from standing instructions to a broker is that there is no control over the timing of the transaction. The broker could execute a transaction when you are in possession of material inside information.

### **Penalties for non-compliance**

The following penalties apply under United States Securities and Exchange Commission (SEC) Rule 10b-5, which prohibits trading on material inside information: (1) imprisonment for up to 20 years, (2) criminal fines of up to \$5 million, (3) civil penalties of up to 3 times the profits gained or losses avoided, (4) prejudgment interest, and (5) private party damages. In addition to damage to reputation, violation of this Policy could result in termination.

### **10b5-1 Plans**

Rule 10b5-1 provides a defense from insider trading liability under SEC Rule 10b-5. To be eligible for this defense, an insider may enter into a "10b5-1 plan" for trading in TLR stock. If the plan meets the requirements of Rule 10b5-1, TLR stock may be purchased or sold without regard to certain insider trading restrictions.

To comply with this Policy, a 10b5-1 plan must be approved by the CEO or Chief Accounting Officer and meet the requirements of Rule 10b5-1.

In general, a 10b5-1 plan must be entered into at a time when there is no undisclosed material information. Once the plan is adopted, the insider must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party.

### **Blackout Policy**

This Policy prohibits trading in TLR securities by officers, directors and certain employees, during the period beginning on the 1<sup>st</sup> day of the first month following TLR's fiscal quarter end and ending the day following TLR's issuance of the quarterly earnings release and/or filing for the prior quarter.

### **Who is covered by this Policy?**

- Directors and Officers of TLR.
- Anyone in possession of material non-public information.
- Family members living in the same household as anyone covered by this Policy.

### **What transactions are prohibited during a blackout period?**

- Open market purchase or sale of TLR securities.
- Purchase or sale of TLR securities through a broker (unless in accordance with pre-arranged written plans that comply with Rule 10b5-1).
- Exercise of stock options where all or a portion of the acquired stock is sold during the blackout period.

### **What transactions are allowed during a blackout period?**

- Exercise of stock options where no TLR stock is sold in the market to fund the option exercise.
- Gifts of TLR stock, unless you have reason to believe the recipient intends to sell the shares during the current blackout period.
- Transfers of TLR stock to or from a trust.

- Transactions that comply with Rule 10b5-1 pre-arranged written plans. For further information about pre-arranged plans, please contact the CEO or Chief Accounting Officer.

In addition to the standard quarterly results blackout periods, TLR may, from time to time, impose other blackout periods upon notice to those persons who are affected.

Employees not otherwise subject to the blackout periods are encouraged to refrain from trading TLR securities during blackout periods to avoid the appearance of improper trading.

### **Pre-Clearance of Stock Transactions**

TLR directors and executive officers, and any other persons designated by the Chief Accounting Officer as being subject to TLR pre-clearance procedures, together with their family members, may not engage in any transaction in TLR securities (including a gift, contribution to a trust, or similar transfer) without first obtaining pre-clearance of the transaction.

#### **Who authorizes the clearance?**

- Chief Executive Officer
- Chief Accounting Officer

In addition, other employees are encouraged to discuss any transaction involving TLR securities to make sure there is no pending material event that could create an appearance of improper trading.

### **Section 16 Reports**

Certain TLR officers and all TLR directors are obligated to file Section 16 reports when they engage in transactions in TLR securities. Although the Chief Accounting Officer will assist reporting persons in preparing and filing the required reports, the reporting persons retain responsibility for the reports.

#### **Who is obligated to file Section 16 reports?**

- TLR directors
- TLR officers designated as "executive officers" for SEC reporting purposes by the Board of Directors.

TLR Policy requires all officers and directors who are required to file Section 16 reports to pre-clear trades in TLR securities with the CEO or designated counsel. Pre-clearance advice generally is good for two days, unless you come into contact with material inside information during that time.

### **Form 144 Reports**

TLR directors and certain TLR officers designated by the Board of Directors are required to file Form 144 before making an open market sale of TLR securities. Form 144 notifies the SEC of your intent to sell TLR securities. This form is generally prepared and filed by your broker and is in addition to the Section 16 reports filed on your behalf by the Chief Accounting Officer.