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

FORM 10-K

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

For the fiscal year ended September 30, 2019

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 Registran 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**	**83814**
(Address of Principal Executive Offices)	(Zip Code)

(208) 6 4-4859

(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value	**TLRS**	**OTCQB**
	TBR	**TSX-V**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐

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

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 (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of March 31, 2019, the aggregate market value of the voting and non-voting shares of common stock of the registrant issued and outstanding on such date, excluding shares held by affiliates of the registrant as a group, was $2,494,199. This figure is based on the closing sale price of $0.06 per share of the Registrant's common stock on March 29, 2019 on the OTCQB**.**

Number of shares of Common Stock outstanding as of January 10, 2020: 74,895,260

Documents incorporated by reference: To the extent herein specifically referenced in Part III, portions of the Registrant's definitive Proxy Statement for the 2018 Annual General Meeting of Shareholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A. See Part III.

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Unless otherwise indicated, any reference to "Timberline", or "we", "us", "our", etc. refers to Timberline Resources Corporation and/or all its subsidiaries, including TDI (where applicable prior to its sale), Staccato Gold, BH Minerals, Wolfpack US, and Talapoosa Development Corp.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the exhibits attached hereto contain "forward-looking statements" within the meaning of the various provisions of the Securities Act of 1933, as amended, which we refer to as the Securities Act, and the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. Such forward-looking statements concern the Company's anticipated results and developments in the Company's operations in future periods, planned exploration and development of its properties, plans related to its 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 timing and outcomes of such exploration activities;
- planned production of technical reports, economic assessments and feasibility studies on our properties;
- 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 and silver prices;
- 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 and environmental 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 for exploration or to develop our reserves, if any;
- risks related to land reclamation requirements and costs;
- risks related to mineral exploration and development activities being inherently hazardous;
- 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 skilled personnel, equipment and supplies adversely affecting our ability to operate;
- risks related to mineral resource and economic 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 our stock trading on the Over-the-Counter markets
- 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 Eureka, Elder Creek and other acquired growth projects;
- risks related to our business model;
- risks related to our participation in Lookout Mountain LLC with PM&Gold Mines, Inc.;
- risks related to evolving corporate governance standards for public companies;
- risks related to our Canadian regulatory requirements; and
- risks related to our shares of common stock or other securities.

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" of this Annual Report. 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 required by law.

We qualify all the forward-looking statements contained in this Annual Report by the foregoing cautionary statements.

PART I

Cautionary Note to U.S. Investors Regarding Mineral Reserve and Resource Estimates

Certain of the technical reports referenced in this Annual Report use 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 in accordance with Canadian National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") – *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended; however, these terms are not defined terms under the United States Securities and Exchange Commission's (the "SEC") Industry Guide 7 ("Guide 7") and are normally not permitted to be used in reports and registration statements filed with the SEC. Under Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate governmental authority. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by Guide 7 standards as in place tonnage and grade without reference to unit measures. As a reporting issuer in Canada, we are required to prepare reports on our mineral properties in accordance with NI 43-101. We reference those technical reports in this Annual Report for informational purposes only, and such reports are not incorporated herein by reference. "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. Investors are cautioned not to assume that any part or all of mineral deposits in the above categories will ever be converted into Guide 7 compliant reserves.

ITEM 1. DESCRIPTION OF BUSINESS

General

We were incorporated in the State of Idaho in August 1968 under the name Silver Crystal Mines, Inc., to engage in the business of exploring for precious metal deposits and advancing them toward production. We ceased exploration activities during the 1990s and became virtually inactive. In December 2003, a group of investors purchased 80-percent of the issued and outstanding common stock from the then-controlling management team. In January 2004, we affected a one-for-four reverse split of our issued and outstanding shares of common stock and increased the number of our authorized shares of common stock to 100,000,000 with a par value of $0.001.

In February 2004, our name was changed to Timberline Resources Corporation. Since the reorganization, we have been in an exploration stage evaluating, acquiring, and exploring mineral prospects with potential for economic deposits of precious and base metals. We define a prospect as a mining property, the value of which has not been determined by exploration. In August 2008, we reincorporated into the State of Delaware pursuant to a merger agreement approved by our shareholders.

In July 2007, we closed our purchase of the Butte Highlands Gold Project. In October 2008, we announced that we had agreed to form a 50/50 joint venture at the Butte Highlands project. In July 2009, we finalized the joint venture agreement with Highland Mining, LLC ("Highland") to create Butte Highlands JV, LLC ("BHJV"). Under terms of the joint venture agreement, development began in the summer of 2009, with Highland funding all mine development costs through development. Both Timberline's and Highland's 50-percent share of costs were to be paid out of net proceeds from future mine production. On January 29, 2016, we executed a Member Interest Purchase Agreement (the "Purchase Agreement") with New Jersey Mining Company pursuant to which we sold all of our 50% interest in BHJV.

In June 2010, we closed our acquisition of Staccato Gold Resources Ltd. ("Staccato Gold"), a Canadian-based resource company 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 flagship gold exploration project ("Lookout Mountain"), and several other projects at various stages of exploration in the Battle Mountain/Eureka gold trend in north-central Nevada, along with Staccato Gold's wholly owned U.S. subsidiary, BH Minerals USA, Inc. ("BH Minerals").

In August 2014, we closed our acquisition of Wolfpack Gold (Nevada) Corp. ("Wolfpack US"), a U.S. company and a wholly-owned subsidiary of Wolfpack Gold Corp. a Canadian-based resource company ("Wolfpack Gold"), 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 cash and several projects at various stages of exploration in the gold trends in Nevada.

On March 31, 2018, we did not make the required payment of $2 million nor issue the one million common shares of the Company by March 31, 2018, as required by the Talapoosa Amended Agreement, and, therefore, the Amended Agreement was terminated per its terms on March 31, 2018. The termination of the Agreement and abandonment of the property, resulted in a $3.2 million write off of a Loss on abandonment of mineral rights.

In May 2018, we entered into a definitive agreement to acquire ownership interests in two joint venture agreements in Nevada from Americas Gold Exploration, Inc ("AGEI"). The acquisition includes a 73.7% interest in the Paiute property joint venture with Nevada Gold Mines LLC ("Nevada Gold"), and the opportunity to earn up to 65% ownership in the Elder Creek joint venture with McEwen Mining, Inc. The acquisition of the two joint venture ownership interests, at Elder Creek with McEwen Mining and at Paiute with Nevada Gold, from AGEI closed on August 14, 2018 for consideration of ten million shares of our common stock and five million warrants to purchase shares of our common stock. An additional five million warrants with the same terms are expected to be issued to AGEI, subject to certain achievements. Upon closing, we became the operator at both of these joint venture projects.

During the year ended September 30, 2019, the Company recognized an abandonment expense of $48,500 relating to two patented mining claims at in the New York Canyon area of the Eureka property that the Company had ceased making advance royalty payments on.

On June 28, 2019, we entered into a Limited Liability Company Agreement (the "LLC" and the "LLC Agreement") with PM&Gold Mines, Inc. ("PM&G") for the advanced exploration, and if determined feasible, the development of our Lookout Mountain Gold project, located on the southern end of the Battle Mountain-Eureka Trend near Eureka, Nevada. PM&G is a private firm incorporated in Nevada with an interest to explore and advance gold projects to production. The LLC Agreement calls for PM&G to fund exploration and development activities in two stages for an earned equity in the project. Timberline will contribute certain claims that constitute the Lookout Mountain project and adjacent historical Oswego Mine area (the "Project") to the LLC in exchange for its ownership position.

Concurrent with completion of the Agreement, PM&G also participated in a private placement and acquired 3,367,441 shares, or 4.99%, of our common shares. The placement includes the right of PM&G to maintain its position in Timberline by pro-rata participation in future financings. The initial interests in the LLC are 51% PM&G and 49% Timberline. PM&G's contribution to the LLC must be earned-in. Timberline will manage the Project at least through Stage I of investment. PM&G shall retain the right to manage all Stage II activities with or without Timberline's participation.

Overview of Our Mineral Exploration Business

We are a mineral exploration business and, if and when we establish mineral reserves, a development company. Mineral exploration is essentially a research activity that does not produce a product. Successful exploration often results in increased project value that can be realized through the optioning or selling of the claimed site to larger companies. We acquire properties which we believe have potential to host economic concentrations of minerals, particularly gold and silver. These acquisitions have and may take the form of unpatented mining claims on federal land, or leasing claims or private property owned by others. An unpatented mining claim is an interest that can be acquired to the mineral rights on open lands of the federally owned public domain. Claims are staked in accordance with the Mining Law of 1872, recorded with the federal government pursuant to laws and regulations established by the Bureau of Land Management (the Federal agency that administers America's public lands), and grant the holder of the claim a possessory interest in the mineral rights, subject to the paramount title of the United States.

We will perform basic geological work to identify specific drill targets on the properties, and then collect subsurface samples by drilling to confirm the presence of mineralization (the presence of economic minerals in a specific area or geological formation). We may enter into joint venture agreements with other companies to fund further exploration and/or development work. It is our plan to focus on assembling a high-quality group of gold and silver exploration prospects using the experience and contacts of the management group. By such prospects, we mean properties that may have been previously identified by third parties, including prior owners such as exploration companies, as mineral prospects with potential for economic mineralization. Often these properties have been sampled, mapped and sometimes drilled, usually with indefinite results. Accordingly, such acquired projects will either have some prior exploration history or will have strong similarity to a recognized geologic ore deposit model. We will place geographic emphasis on the western United States, and Nevada in particular.

The focus of our activity has been to acquire properties that we believe to be undervalued; including those that we believe to hold previously unrecognized mineral potential. Properties have been acquired through the location of unpatented mining claims (which allow the claimholder the right to mine the minerals without holding title to the property), or by negotiating lease/option agreements. Our President and CEO, Steven Osterberg, and our CFO, Ted Sharp, as well as our Directors, have experience in evaluating, staking and filing unpatented mining claims, and in negotiating and preparing mineral lease agreements in connection with those mining claims.

The geologic potential and ore deposit models have been defined and specific drill targets identified on the majority of our properties. Our property evaluation process involves using basic geologic fieldwork to perform an initial evaluation of a property. If the evaluation is positive, we seek to acquire it, either by staking unpatented mining claims on open public domain, or by leasing the property from the owner of private property or the owner of unpatented claims. Once acquired, we then typically make a more detailed evaluation of the property. This detailed evaluation involves expenditures for exploration work which may include rock and soil sampling, geologic mapping, geophysics, trenching, drilling, or other means to determine if economic mineralization is present on the property.

Portions of our mineral properties at September 30, 2019 are owned by third parties and leased to us, or carry a financial commitment from us, as outlined in the following table:

Property Name	Third Party	Number of Claims	Area	Agreements/ Royalties
Lookout Mountain (Eureka)	Rocky Canyon Mining Company	373	6,368 acres	3.5% NSR + 1.5% NSR capped at $1.5 million (excludes Trevor and Dave claims); 20-year lease term commencing June 1, 2008; annual advanced royalty payment of $72,000.
Silverado	Silver International	10	100	1% NSR + $10,000 Annual lease payment
Seven Troughs	Slash, Inc.	302	4,030	2% NSR; 50-year lease term commencing December 31, 1975; no annual lease payments;
Elder Creek (McEwen Joint Venture Agreement)	McEwen Mining	583	9,600 acres	Joint Venture Earn-in Agreement; 51% ownership for $2.6 million spending over 4 years; ownership increased to 65% for an additional $2.5 million in work commitment
Paiute (ICBM JV with LAC Minerals)	Nevada Gold Mines by assignment from Nevada Gold as parent of LAC Minerals	65	1,343 acres	ICBM Joint Venture Earn-in; 60% ownership for $300,000 work commitment with standard dilution thereafter; historical expenditures by ICBM and Timberline combined bring current Timberline ownership to 75.4%.

Of the leased claims listed above, 373 of the Lookout Mountain claims and 6 of the Silverado claims have been transferred to Lookout Mountain LLC under the terms of the Lookout Mountain LLC Agreement with PM&Gold. All of the leases are contracts with varied terms which provide for us to earn an interest in the property. For additional information see “Item 2 - Description of Property” below.

Our strategy with properties deemed to be of higher risk or those that would require very large exploration expenditures is to present them to larger companies for strategic partnerships. Our strategy is intended to maximize the abilities and skills of the management group, conserve capital, and provide superior leverage for investors. If we present a property to a major company and they are not interested, we will continue to seek an interested partner.

For our prospects where drilling costs are reasonable and the likelihood of success seems favorable, we will undertake our own drilling. The target depths, the tenor of mineralization on the surface, and the general geology of the area are all factors that determine the risk as calculated by us in conducting a drilling operation. Mineral exploration is a research and development activity and is, by definition, a high-risk business that relies on numerous untested assumptions and variables. Accordingly, we make our decisions on a project-by-project basis. We do not have any steadfast formula that we apply in determining the reasonableness of drilling costs in comparison to the likelihood of success, i.e., in determining whether the probability of success seems "favorable."

Our Competition

The mineral exploration industry is intensely competitive in all phases. In our mineral exploration activities, we will compete with many companies possessing greater financial resources and technical facilities than we do for the acquisition of mineral concessions, claims, leases, and other mineral interests as well as for the recruitment and retention of qualified employees, including mining engineers, geologists, and other skilled mining professionals. We use consultants and compete with other mining companies for the man hours of consulting time required to complete our studies. We also compete with other mining companies for exploration and development equipment and services. We must overcome significant barriers to enter into the business of mineral exploration as a result of our limited operating history.

We cannot assure you that we will be able to compete in any of our business areas effectively with current or future competitors or that the competitive pressures faced by us will not have a material adverse effect on our business, financial condition, and operating results.

Our Offices and Other Facilities

We currently maintain our administrative office at 101 East Lakeside Ave., Coeur d'Alene, ID 83814. The telephone number is (866) 513-4859 (toll free) or (208) 664-4859. We also maintain field offices and warehouse space in Eureka, NV 89316.

Our Employees

We are an exploration company and currently have 1 full-time employee. Management engages independent consultants under contract arrangements as necessary to execute on company strategies in the current financially challenging environment and expects to hire staff and additional management as necessary for implementation of our business plan.

Regulation

The exploration and mining industries operate in a legal environment that requires permits to conduct virtually all operations. These permits are required by local, state, and federal government agencies. Federal agencies that may be involved include: The U.S. Forest Service (USFS), Bureau of Land Management (BLM), Environmental Protection Agency (EPA), National Institute for Occupational Safety and Health (NIOSH), the Mine Safety and Health Administration (MSHA), and the Fish and Wildlife Service (FWS). Individual states also have various environmental regulatory bodies, such as Departments of Ecology. Local authorities, usually counties, also have control over mining activity. The various permits address such issues as prospecting, development, production, labor standards, taxes, occupational health and safety, toxic substances, air quality, water use, water discharge, water quality, noise, dust, wildlife impacts, as well as other environmental and socioeconomic issues.

Prior to receiving the necessary permits to explore or mine, a mine operator must comply with all regulatory requirements imposed by all governmental authorities having jurisdiction over the project area. Very often, in order to obtain the requisite permits, the operator must have its land reclamation, restoration, or replacement plans pre-approved. Specifically, the operator must present its plan as to how it intends to restore or replace the affected area. Often all or any of these requirements can cause delays or involve costly studies or alterations of the proposed activity or time frame of operations, in order to mitigate impacts. All of these factors make it more difficult and costly to operate and have a negative and sometimes fatal impact on the viability of the exploration or mining operation. Finally, it is possible that future changes in these laws or regulations could have a significant impact on our business, causing those activities to be economically re-evaluated at that time. For a more detailed discussion of governmental and environmental regulatory requirements applicable to our mineral exploration business see the section titled "Description of Properties - Overview of Regulatory, Economic and Environmental Issues" below.

Reclamation

We generally are required to mitigate long-term environmental impacts by stabilizing, contouring, re-sloping and re-vegetating various portions of a site after mining and mineral processing operations are completed. These reclamation efforts are conducted in accordance with detailed plans, which must be reviewed and approved by the appropriate regulatory agencies.

The Commodities Market

The prices of gold and silver have fluctuated during the last several years, with the prices of gold and silver falling to their lowest levels in the past several years in 2015 and early 2016, before rebounding. In 2017, gold traded between approximately $1,151 and $1,346 per ounce. In 2018, gold has traded between approximately $1,175 and $1,355 per ounce. In 2019, gold has traded between approximately $1,270 and $1,547 per ounce. The price of gold was $1,548 per ounce on January 3, 2020. All of these gold prices are based on the London PM Fix Price per troy ounce of gold in U.S. dollars.

In 2017, silver traded between approximately $15.22 and $18.56 per ounce. In 2018, silver has traded between approximately $13.97 and $17.52 per ounce. In 2019, silver has traded between approximately $14.38 and $19.42 per ounce. The price of silver was $18.21 per ounce on January 3, 2020. All of these silver prices are based on the London Fix Price per troy ounce of silver in U.S. dollars.

Seasonality

Seasonality in Nevada is not a material factor to our operations. Certain surface exploration work may need to be conducted when there is no snow on the ground, but it is not a material issue.

ITEM 1A. RISK FACTORS

An investment in an exploration stage mining company such as ours involves an unusually high degree of risk, known and unknown, present and potential, including, but not limited to the risks enumerated below.

Failure to successfully address the risks and uncertainties described below could have a material adverse effect on our business, financial condition and/or results of operations, and the trading price of our common stock may decline and investors may lose all or part of their investment. We cannot assure you that we will successfully address these risks or other unknown risks that may affect our business.

Estimates of mineralized material are forward-looking statements inherently subject to error. Although mineralization and reserve estimates require a high degree of assurance in the underlying data when the estimates are made, unforeseen events and uncontrollable factors can have significant adverse or positive impacts on the estimates. Actual results will inherently differ from estimates. The unforeseen events and uncontrollable factors include: geologic uncertainties including inherent sample variability, metal price fluctuations, variations in mining and processing parameters, and adverse changes in environmental or mining laws and regulations. We cannot accurately predict the timing and effects of variances from estimated values.

Risks Related to Our Company

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, 2019, 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 have incurred losses since our inception. We do not have sufficient cash to fund normal operations and meet all of our obligations for the next 12 months without deferring payment on certain current liabilities and/or raising additional funds.

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 business plan. Our plans for the long-term return to and continuation as a going concern include engaging in a strategic transaction which may include selling the Company or any or all of its assets, entering into joint venture arrangements regarding our assets, financing our future operations through sales of our common stock and/or debt and/or the eventual profitable exploitation of our mining properties. As of the date of this report, we have negative working capital. 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 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 were 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. We cannot be sure that we will be successful in addressing these risks and uncertainties and our failure to do so could have a materially adverse effect on our financial condition.

We have a limited operating history on which to base an evaluation of our business and prospects.

Although we have been in the business of exploring mineral properties since our incorporation in 1968, we were inactive for many years prior to our new management in 2004. Since 2004 we have not yet established any mineral reserves. As a result, we have not had any revenues from our exploration division. However, we have had a drilling services wholly-owned subsidiary which has generated revenues in past fiscal years. In addition, our operating history has been restricted to the acquisition and exploration of our mineral properties, and this does not provide a meaningful basis for an evaluation of our prospects if we ever determine that we have a mineral reserve and commence the construction and operation of a mine. Other than through conventional and typical exploration methods and procedures, we have no additional way to evaluate the likelihood of whether our mineral properties contain any mineral reserves or, if they do that they will be operated successfully. As a result, we are subject to all of the risks associated with developing and establishing new mining operations and business enterprises including:

- completion of feasibility studies to verify reserves and commercial viability, including the ability to find sufficient gold reserves to support a commercial mining operation;
- the timing and cost, which can be considerable, of further exploration, preparing feasibility studies, permitting and construction of infrastructure, mining, and processing facilities;
- the availability and costs of drill equipment, exploration personnel, skilled labor, and mining and processing equipment, if required;
- compliance with environmental and other governmental approval and permit requirements;
- the availability of funds to finance exploration, development, and construction activities, as warranted;
- potential opposition from non-governmental organizations, environmental groups, local groups, or local inhabitants which may delay or prevent development activities;
- potential increases in exploration, construction, and operating costs due to changes in the cost of fuel, power, materials, and supplies; and
- potential shortages of mineral processing, construction, and other facilities-related supplies.

The costs, timing, and complexities of exploration, development, and construction activities may be increased by the location of our properties and demand by other mineral exploration and mining companies. It is common in exploration programs to experience unexpected problems and delays during drill programs and, if warranted, development, construction, and mine start-up. Accordingly, our activities may not result in profitable mining operations and we may not succeed in establishing mining operations or profitably producing metals at any of our properties. There is no history upon which to base any assumption as to the likelihood that we will prove successful, and we can provide investors with no assurance that we will generate any operating revenues or ever achieve profitable operations.

We have a history of losses and expect to continue to incur losses in the future.

We have incurred losses since inception and expect to continue to incur losses in the future. We incurred the following net losses during each of the following periods:

- $1,657,283 for the year ended September 30, 2019;
- $5,057,794 for the year ended September 30, 2018; and
- $1,645,800 for the year ended September 30, 2017

We had an accumulated deficit of approximately $60.2 million as of September 30, 2019. We expect to continue to incur losses unless and until such time as one of our properties enters into commercial production and generates sufficient revenues to fund continuing operations. We recognize that if we are unable to generate significant revenues from mining operations and dispositions of our properties, we will not be able to earn profits or continue operations. At this early stage of our operation, we also expect to face the risks, uncertainties, expenses, and difficulties frequently encountered by companies at the start-up stage of their business development. We cannot be sure that we will be successful in addressing these risks and uncertainties and our failure to do so could have a materially adverse effect on our financial condition.

Risks Associated with Mining and Exploration

Our Elder Creek Project is subject to certain future work expenditure requirements in order for us to earn an ownership portion of the property. The underlying Elder Creek JV with McEwen which Timberline (assumed from AGEI) has an earn-in right as operator with terms of earn-in as follows:

- 51% Earn-In for $2.6 M over 4 years by December 31, 2021, consisting of:
- Year 1: $100,000 One Time Cash Payment by May 17, 2018 amended to September 28, 2018 (completed)
- Year 1: $500,000 Work Commitment by December 31, 2018 (completed)
- Year 2: $500,000 Work Commitment by December 31, 2019 (completed)
- Year 3: $750,000 Work Commitment by December 31, 2020
- Year 4: $750,000 Work Commitment by December 31, 2021
- 65% Earn-In for an additional $2.5M work commitment for a total of $5.1M over 6 years by December 31, 2023.

We have met the work commitments for the Year 1 obligation and those of Year 2 ended December 31, 2019. If we are unable to raise sufficient funds through capital raising activities or through bringing in a project partner prior to the payment date, we may not have sufficient funds to meet our other future work commitment obligations at the time they become due under the agreement terms. If we are unable to make the expenditures by the specified dates and we are unable to negotiate an extension or new terms, we would default under the earn-in agreement and risk having the project revert back to the current owner and our investments in the project would be lost, which could have a materially adverse impact on our financial condition and the value of our common stock.

All of our properties are in the exploration stage. There is no assurance that we can establish the existence of any mineral reserve on any of our properties in commercially exploitable quantities. Until we can do so, we cannot earn any revenues from these properties, and if we do not do so, we will lose all of the funds that we expend on exploration. If we do not discover any mineral reserve in a commercially exploitable quantity, the exploration component of our business could fail.

We have not established that any of our mineral properties contain any mineral reserves according to recognized reserve guidelines, nor can there be any assurance that we will be able to do so. A mineral reserve is defined by the Securities and Exchange Commission in its Industry Guide 7 as that part of a mineral deposit, which could be economically and legally extracted or produced at the time of the reserve determination. The probability of an individual prospect ever having a "reserve" that meets the requirements of the Securities and Exchange Commission's Industry Guide 7 is extremely remote; in all probability, our mineral properties do not contain any “reserve”, and any funds that we spend on exploration will probably be lost. Even if we do eventually discover a mineral reserve on one or more of our properties, there can be no assurance that they can be developed into producing mines to extract those minerals. Both mineral exploration and development involve a high degree of risk, and few properties that are explored are ultimately developed into producing mines.

The commercial viability of an established mineral deposit will depend on a number of factors including, by way of example, the size, grade, and other attributes of the mineral deposit, the proximity of the mineral deposit to infrastructure such as a smelter, roads, and a point for shipping, government regulation, and market prices. Most of these factors will be beyond our control, and any of them could increase costs and make extraction of any identified mineral deposit unprofitable.

Mineral operations are subject to applicable law and government regulation. Even if we discover a mineral reserve in a commercially exploitable quantity, these laws and regulations could restrict or prohibit the exploitation of that mineral reserve. If we cannot exploit any mineral reserve that we might discover on our properties, our business may fail.

Both mineral exploration and extraction require permits from various foreign, federal, state, provincial, and local governmental authorities and are governed by laws and regulations, including those with respect to prospecting, mine development, mineral production, transport, export, taxation, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety, and other matters. Regarding our future ground disturbing activity on federal land, we will be required to obtain a permit from the US Forest Service or the Bureau of Land Management prior to commencing exploration. There can be no assurance that we will be able to obtain or maintain any of the permits required for the continued exploration of our mineral properties or for the construction and operation of a mine on our properties at economically viable costs. If we cannot accomplish these objectives, our business could face difficulty and/or fail.

We believe that we are in compliance with all material laws and regulations that currently apply to our activities, but there can be no assurance that we can continue to do so. Current laws and regulations could be amended, and we might not be able to comply with them, as amended. Further, there can be no assurance that we will be able to obtain or maintain all permits necessary for our future operations, or that we will be able to obtain them on reasonable terms. To the extent such approvals are required and are not obtained, we may be delayed or prohibited from proceeding with planned exploration or development of our mineral properties.

Environmental hazards unknown to us, which have been caused by previous or existing owners or operators of the properties, may exist on the properties in which we hold an interest. In past years, we have been engaged in exploration in northern Idaho, which is currently the site of a Federal Superfund cleanup project. Although we are no longer involved in this or other areas at present, it is possible that environmental cleanup or other environmental restoration procedures could remain to be completed or mandated by law, causing unpredictable and unexpected liabilities to arise. At the date of this Annual Report, we are not aware of any environmental issues or litigation relating to any of our current or former properties.

Future legislation and administrative changes to the mining laws could prevent us from exploring our properties.

New state and U.S. federal laws and regulations, amendments to existing laws and regulations, administrative interpretation of existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on our ability to conduct exploration and mining activities. Any change in the regulatory structure making it more expensive to engage in mining activities could cause us to cease operations.

Regulations and pending legislation governing issues involving climate change could result in increased operating costs, which could have a material adverse effect on our business.

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on us, our venture partners, and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Given the political significance and uncertainty around the impact of climate change and how it should be dealt with, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation. The potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels, and changing temperatures. These impacts may adversely impact the cost, production, and financial performance of our operations.

If we establish the existence of a mineral reserve on any of our properties in a commercially exploitable quantity, we will require additional capital in order to develop the property into a producing mine. If we cannot raise this additional capital, we will not be able to exploit the reserve, and our business could fail.

If we do discover mineral reserves in commercially exploitable quantities on any of our properties, we will be required to expend substantial sums of money to establish the extent of the reserve, develop processes to extract it, and develop extraction and processing facilities and infrastructure. There can be no assurance that a mineral reserve will be large enough to justify commercial operations, nor can there be any assurance that we will be able to raise the funds required for development on a timely basis. If we cannot raise the necessary capital or complete the necessary facilities and infrastructure, our business may fail.

Land reclamation requirements for our properties may be burdensome and expensive.

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long-term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with our potential development activities, we must allocate financial resources that might otherwise be spent on further exploration and development programs. We plan to set up a provision for our reclamation obligations on our properties, as appropriate, but this provision may not be adequate. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

Mining exploration and development are inherently hazardous and subject to conditions or events beyond our control, which could have a material adverse effect on our business and plans.

Mining and mineral exploration involves various types of risks and hazards, including:

- environmental hazards;
- power outages;
- metallurgical and other processing problems;
- unusual or unexpected geological formations;
- personal injury, flooding, fire, explosions, cave-ins, landslides, and rock-bursts;
- inability to obtain suitable or adequate machinery, equipment, or labor;
- metals losses;
- fluctuations in exploration, development, and production costs;
- labor disputes;
- unanticipated variations in grade;
- mechanical equipment failure; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities, or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses, and possible legal liability.

Mineral exploration and development is subject to extraordinary operating risks. We do not currently insure against these risks. In the event of a cave-in or similar occurrence, our liability may exceed our resources, which would have an adverse impact on our Company.

Mineral exploration, development, and production involve many risks, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome. Our operations will be subject to all the hazards and risks inherent in the exploration, development and production of minerals, including liability for pollution, cave-ins or similar hazards against which we cannot insure or against which we may elect not to insure. Any such event could result in work stoppages and damage to property, including damage to the environment. We do not currently maintain any insurance coverage against these operating hazards. The payment of any liabilities that arise from any such occurrence could have a material adverse impact on our Company.

Increased costs could affect our financial condition.

We anticipate that costs at our projects that we may explore or develop will frequently be subject to variation from one year to the next due to a number of factors, such as changing ore grade, metallurgy, and revisions to mine plans, if any, in response to the physical shape and location of the ore body. In addition, costs are affected by the price of commodities such as fuel, rubber, and electricity. Such commodities are at times subject to volatile price movements, including increases that could make production at certain operations less profitable. A material increase in costs at any significant location could have a significant effect on our profitability.

A shortage of equipment and supplies could adversely affect our ability to operate our business.

We are dependent on various supplies and equipment to carry out our mining exploration and, if warranted, development operations. Any shortage of such supplies, equipment, and parts could have a material adverse effect on our ability to carry out our operations and, therefore, limit or increase the cost of production.

Estimates of mineralized material are subject to evaluation uncertainties that could result in project failure.

Our exploration and future mining operations, if any, are and would be faced with risks associated with being able to accurately predict the quantity and quality of mineralized material within the earth using statistical sampling techniques. Estimates of any mineralized material on any of our properties would be made using samples obtained from appropriately placed trenches, test pits, and underground workings and intelligently designed drilling. There is an inherent variability of assays between check and duplicate samples taken adjacent to each other and between sampling points that cannot be reasonably eliminated. Additionally, there also may be unknown geologic details that have not been identified or correctly appreciated at the current level of accumulated knowledge about our properties. This could result in uncertainties that cannot be reasonably eliminated

from the process of estimating mineralized material. If these estimates were to prove to be unreliable, we could implement an exploitation plan that may not lead to commercially viable operations in the future.

Mineral prices are subject to dramatic and unpredictable fluctuations.

We expect to derive revenues, if any, from the eventual extraction and sale of precious metals such as gold and silver. The price of those commodities has fluctuated widely in recent years, and is affected by numerous factors beyond our control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new extraction developments, and improved extraction and production methods. The effect of these factors on the price of precious metals, and, therefore, the economic viability of any of our exploration projects, cannot accurately be predicted.

The mining industry is highly competitive and there is no assurance that we will continue to be successful in acquiring mineral claims. If we cannot continue to acquire properties to explore for mineralized material, we may be required to reduce or cease exploration activity and/or operations.

The mineral exploration, development, and production industry is largely fragmented. We compete with other exploration companies looking for mineral properties and the minerals that can be produced from them. While we compete with other exploration companies in the effort to locate and license mineral properties, we do not compete with them for the removal or sales of mineral products from our properties if we should eventually discover the presence of them in quantities sufficient to make production economically feasible. Readily available markets exist worldwide for the sale of gold and other mineral products. Therefore, we will likely be able to sell any gold or mineral products that we identify and produce.

There are hundreds of public and private companies that are actively engaged in mineral exploration. A representative sample of exploration companies that are similar to us in size, financial resources, and primary objective include such publicly traded mineral exploration companies as Allegiant Gold Ltd. (AUAU.V), NuLegacy Gold Corp (NUG.V), Otis Gold Corp. (OGLDF), Adamara Minerals Corp. (ADZ.V), Comstock Mining Inc. (LODE).

Many of our competitors have greater financial resources and technical facilities. Accordingly, we will attempt to compete primarily through the knowledge and experience of our management. This competition could adversely affect our ability to acquire suitable prospects for exploration in the future. Accordingly, there can be no assurance that we will acquire any interest in additional mineral properties that might yield reserves or result in commercial mining operations.

Third parties may challenge our rights to our mineral properties, or the agreements that permit us to explore our properties may expire, if we fail to timely renew them and pay the required fees.

In connection with the acquisition of our mineral properties, we sometimes conduct only limited reviews of title and related matters, and obtain certain representations regarding ownership. These limited reviews do not necessarily preclude third parties from challenging our title and, furthermore, our title may be defective. Consequently, there can be no assurance that we hold good and marketable title to all of our mining concessions and mining claims. If any of our concessions or claims were challenged, we could incur significant costs and lose valuable time in defending such a challenge. These costs or an adverse ruling with regards to any challenge of our titles could have a material adverse effect on our financial position or results of operations. There can be no assurance that any such disputes or challenges will be resolved in our favor.

We are not aware of challenges to the location or area of any of our mining claims. There is, however, no guarantee that title to the claims will not be challenged or impugned in the future.

Acquisitions and integration issues may expose us to risks.

Our business strategy includes making targeted acquisitions. Any acquisition that we make may be of a significant size, may change the scale of our business and operations, and may expose us to new geographic, political, operating, financial, and geological risks. Our success in our acquisition activities depends on our ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition and integrate the acquired operations successfully with our own. Any acquisitions would be accompanied by risks. For example, there may be significant decreases in commodity prices after we have committed to complete the transaction and have established the purchase price or exchange ratio; a potential mineralized property may prove to be below expectations; we may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt our ongoing business and our relationships with employees, customers, suppliers, and contractors; and the acquired business or assets may have unknown liabilities which may be significant. If we choose to use

equity securities as consideration for such an acquisition, existing shareholders may suffer dilution. Alternatively, we may choose to finance any such acquisition with our existing resources. There can be no assurance that we would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Joint ventures and other partnerships in relation to our properties may expose us to risks.

We are currently involved in, and may enter into in the future, joint ventures or other partnership arrangements with other parties in relation to the exploration, development, and production of certain of the properties in which we have an interest. Joint ventures can often require unanimous approval of the parties to the joint venture or their representatives for certain fundamental decisions such as an increase or reduction of registered capital, merger, division, dissolution, amendments of constating documents, and the pledge of joint venture assets, which means that each joint venture party may have a veto right with respect to such decisions which could lead to a deadlock in the operations of the joint venture or partnership. Further, we may be unable to exert control over strategic decisions made in respect of such properties. Any failure of such other companies to meet their obligations to us or to third parties, or any disputes with respect to the parties' respective rights and obligations, could have a material adverse effect on the joint ventures or their properties and, therefore, could have a material adverse effect on our results of operations, financial performance, cash flows, and the price of our common stock.

Risks Related to Our Company

Minimal staffing may be reasonably likely to materially affect the Company's internal control over financial reporting

With a very limited staff, it is difficult to maintain appropriate segregation of duties in the initiating and recording of transactions, thereby creating a segregation of duties weakness. Due to the significance of segregation of duties to the preparation of reliable financial statements, this weakness may result in more than a remote likelihood that a material misstatement or lack of disclosure within the annual or interim financial statements not be prevented or detected.

Conflicts of Interest

Certain of our officers and directors may be or become associated with other businesses, including natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. Our directors are required by Delaware Corporation law to act honestly and in good faith with a view to our best interests and to disclose any interest, which they may have in any of our projects or opportunities. In general, if a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter or, if he does vote, his vote will not be counted.

We have not adopted any separate formal corporate policy regarding conflicts of interest; however, other corporate governance measures have been adopted, such as creating a directors' audit committee requiring independent directors. Additionally, our Code of Ethics does address areas of possible conflicts of interest. As of the date of filing of this report, we had three independent directors on our board of directors (Leigh Freeman, Paul Dircksen and David Mathewson). We have formed three committees to ensure our legal compliance. We established an independent audit committee consisting of two independent directors, both of whom were determined to be "financially literate" and one of whom was designated as the "financial expert." We also formed a compensation committee comprised entirely of independent directors and a corporate governance and nominating committee, a majority of which is comprised of independent directors. At this time, we feel that these committees and our Code of Ethics provide sufficient corporate governance for our purposes.

Dependence on Key Management Employees

Our ability to continue our exploration and development activities and to develop a competitive edge in the marketplace depends, in large part, on our ability to attract and maintain qualified key management personnel. Competition for such personnel is intense, and there can be no assurance that we will be able to attract and retain such personnel. Our development now and in the future will depend on the efforts of key management figures such as Steven Osterberg and Ted Sharp. The loss of any of these key people could have a material adverse effect on our business. In this regard, we have attempted to reduce the risk associated with the loss of key personnel and have obtained directors and officers insurance coverage. In addition, our shareholders have approved our 2015 Stock and Incentive Plan and 2018 Incentive Plan so that we can provide incentives for our key personnel.

We may not realize the benefits of Eureka, Elder Creek, Paiute, Lookout Mountain, Seven Troughs and other acquired growth projects.

As part of our strategy, we will continue existing efforts and initiate new efforts to develop gold and other mineral properties. We have four such project areas, including Eureka, Elder Creek, Paiute, Lookout Mountain and Seven Troughs. 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 our financial position and results of operations.

As part of our business model, we pursue a strategy that may cause us to expend significant resources exploring properties that may not become revenue-producing sites, including the Eureka projects.

Part of our business model is to pursue a strategy which includes significant exploration activities, such as proposed exploration and, if warranted, development at the Eureka, Elder Creek, Paiute, and the Seven Troughs projects. Because of the nature of exploration for precious metals, a property's exploration potential is not known until a significant amount of geologic information has been generated. We may spend significant resources exploring and developing the projects and gathering certain geologic information only to determine that the project is not capable of being a revenue-producing property for us.

Our business is subject to evolving corporate governance and public disclosure regulations that have increased both our compliance costs and the risk of noncompliance, which could have an adverse effect on our stock price.

We are subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the SEC and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity, and many new requirements have been created in response to laws enacted by Congress, making compliance more difficult and uncertain. For example, on July 21, 2010, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") with increased disclosure obligations for public companies and mining companies in the United States. Our efforts to comply with the Dodd-Frank Act and other new regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of our management's time and attention from operating activities to compliance activities.

We are required to comply with Canadian securities regulations and are subject to additional regulatory scrutiny in Canada.

We are a "reporting issuer" in the Canadian provinces of British Columbia and Alberta. As a result, our disclosure outside the United States differs from the disclosure contained in our SEC filings. Our reserve and resource estimates disseminated outside the United States are not directly comparable to those made in filings subject to SEC reporting and disclosure requirements, as we generally report reserves and resources in accordance with Canadian practices. These practices are different from the practices used to report reserve and resource estimates in reports and other materials filed with the SEC. It is Canadian practice to report measured, indicated, and inferred resources, which are generally not permitted in disclosure filed with the SEC. In the United States, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations; however, the SEC only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization, reserves, and resources contained in disclosure released outside the United States may not be comparable to information made public by other United States companies subject to the reporting and disclosure requirements of the SEC.

We are also subject to increased regulatory scrutiny and costs associated with complying with securities legislation in Canada. For example, we are subject to civil liability for misrepresentations in written disclosure and oral statements. Legislation has been enacted in these provinces which creates a right of action for damages against a reporting issuer, its directors and certain of its officers in the event that the reporting issuer or a person with actual, implied, or apparent authority to act or speak on behalf of the reporting issuer releases a document or makes a public oral statement that contains a misrepresentation or the reporting issuer fails to make timely disclosure of a material change. We do not anticipate any particular regulation that would be difficult to comply with. However, failure to comply with regulations may result in civil awards, fines, penalties, and orders that could have an adverse effect on us.

Risks Associated with Our Common Stock

Our stock price has been volatile and your investment in our common stock could suffer a decline in value.

Our common stock is quoted on the OTCQB Market ("OTCQB") and traded on the TSX Venture Exchange ("TSX-V"). The market price of our common stock may fluctuate significantly in response to a number of factors, some of which are beyond our control. These factors include price fluctuations of precious metals, government regulations, disputes regarding mining claims, broad stock market fluctuations, and general economic conditions in the United States and Canada.

We do not intend to pay any dividends on shares of our common stock in the near future.

We do not currently anticipate declaring and paying dividends to our shareholders in the near future, and any future decision as to the payment of dividends will be at the discretion of our board of directors and will depend upon our earnings, financial position, capital requirements, plans for expansion, and such other factors as our board of directors deems relevant. It is our current intention to apply net earnings, if any, in the foreseeable future to finance the growth and development of our business.

Investors' interests in our Company will be diluted and investors may suffer dilution in their net book value per share, if we issue additional employee/director/consultant options or if we sell additional shares and/or warrants to finance our operations.

We have not generated material revenue from exploration since the commencement of our exploration stage in January 2004. In order to further expand our company and meet our objectives, any additional growth and/or expanded exploration activity may need to be financed through sale and issuance of additional shares, including, but not limited to, raising finances to explore our properties. Furthermore, to finance any acquisition activity, should that activity be properly approved, and depending on the outcome of our exploration programs, we may also need to issue additional shares to finance future acquisitions, growth and/or additional exploration programs at any or all of our projects or to acquire additional properties. We may also in the future grant to some or all of our directors, officers, insiders, and key employees options to purchase our common shares and stock unit awards as non-cash incentives. The issuance of any equity securities could, and the issuance of any additional shares will, cause our existing shareholders to experience dilution of their ownership interests.

If we issue additional shares or decide to enter into joint ventures with other parties in order to raise financing through the sale of equity securities, investors' interests in our Company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. As of the date of the filing of this report there are also outstanding options and warrants granted that are exercisable into 48,769,967 common shares. If all of these options and warrants were exercised, the underlying shares would represent approximately 42% of our issued and outstanding shares. If all of these options and warrants are exercised and the underlying shares are issued, such issuance will cause a reduction in the proportionate ownership and voting power of all other shareholders. The dilution may result in a decline in the market price of our shares.

We are subject to the continued listing criteria of the TSX-V and our failure to satisfy these criteria may result in delisting of our shares of common stock.

Our shares of common stock are currently listed on the TSX-V. In order to maintain the listing, we must maintain certain share prices, financial, and share distribution targets, including maintaining a minimum amount of shareholders' equity and a minimum number of public shareholders. In addition to objective standards, the TSX-V may delist our securities if, in their discretionary opinion: (i) our financial condition and/or operating results appear unsatisfactory; (ii) it appears that the extent of public distribution or the aggregate market value of the security has become so reduced as to make continued listing on TSX-V inadvisable; (iii) we sell or dispose of principal operating assets or cease to be an operating company; (iv) we fail to comply with the listing requirements of the TSX-V; (v) our shares of common stock sell at what the TSX-V considers a "low selling price" and if we fail to correct this via a reverse split of shares after notification by the TSX-V; or (vi) any other event occurs or any condition exists which makes continued listing on the TSX-V, in their opinion, inadvisable.

If the TSX-V delists our shares of common stock, investors may face material adverse consequences, including, but not limited to, a lack of trading market for our securities, reduced liquidity, decreased analyst coverage of our securities, and an inability for us to obtain additional financing to fund our operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable.

ITEM 2. DESCRIPTION OF PROPERTIES

We have acquired mineral prospects for exploration in Nevada mainly for target commodities of gold and copper. The prospects are held by both patented and unpatented mining claims owned directly by us or through legal agreements conveying exploration and development rights to us. Most of our prospects have had a prior exploration history, and this is typical in the mineral exploration industry. Most mineral prospects go through several rounds of exploration before an economic ore body is discovered, and prior work often eliminates targets or points to new ones. Also, prior operators may have explored under a completely different commodity price structure or technological regime. Mineralization which was uneconomic in the past may be ore grade at current market prices when extracted and processed with modern technology.

Nevada Gold Properties

The Company currently controls four mineral properties in Nevada including Eureka, Elder Creek, Paiute, and Seven Troughs (see map below).

Eureka (Battle Mountain/Eureka Trend)

We acquired the Eureka property as part of our acquisition of Staccato Gold Resources Ltd. ("Staccato Gold") and its wholly owned subsidiary, BH Minerals USA, Inc. ("BH Minerals"), in June 2010. Eureka comprises an area of approximately 16,000 acres (~25 miles square) within the Battle Mountain – Eureka Mineral Trend. The property's northern boundary is located approximately 1 mile south of the town of Eureka, Nevada, in Eureka County.

The Eureka property is situated in the southern part of the Eureka mining district of Eureka County, Nevada, within T19N, R53E and unsurveyed T17N and T18N, and R53E. The Eureka property is also within the bounds of the United States Geological Survey ("USGS") 1:24,000-scale 7.5-minute topographic series maps of the Pinto Summit and Spring Valley Summit quadrangles.

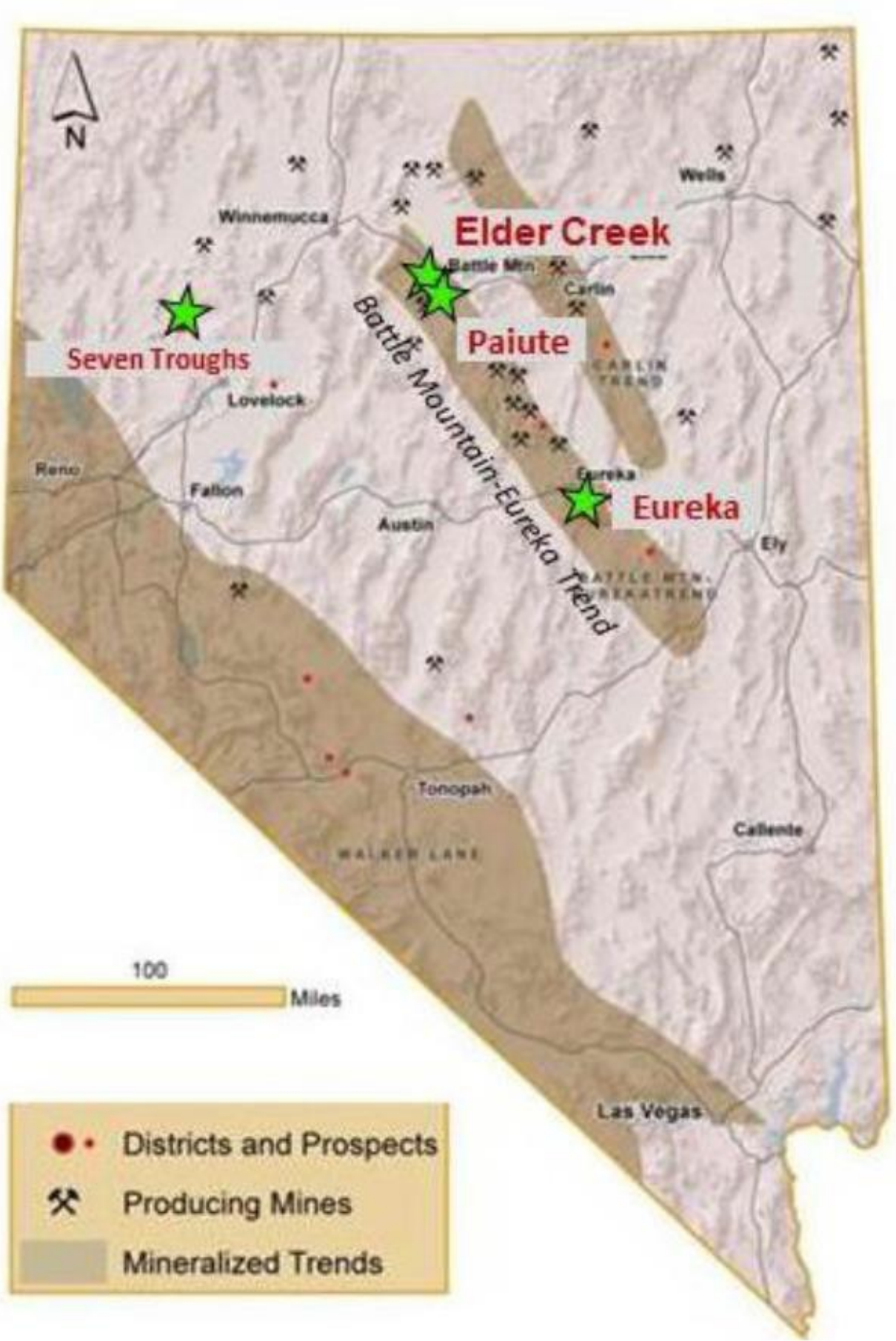
Property Description

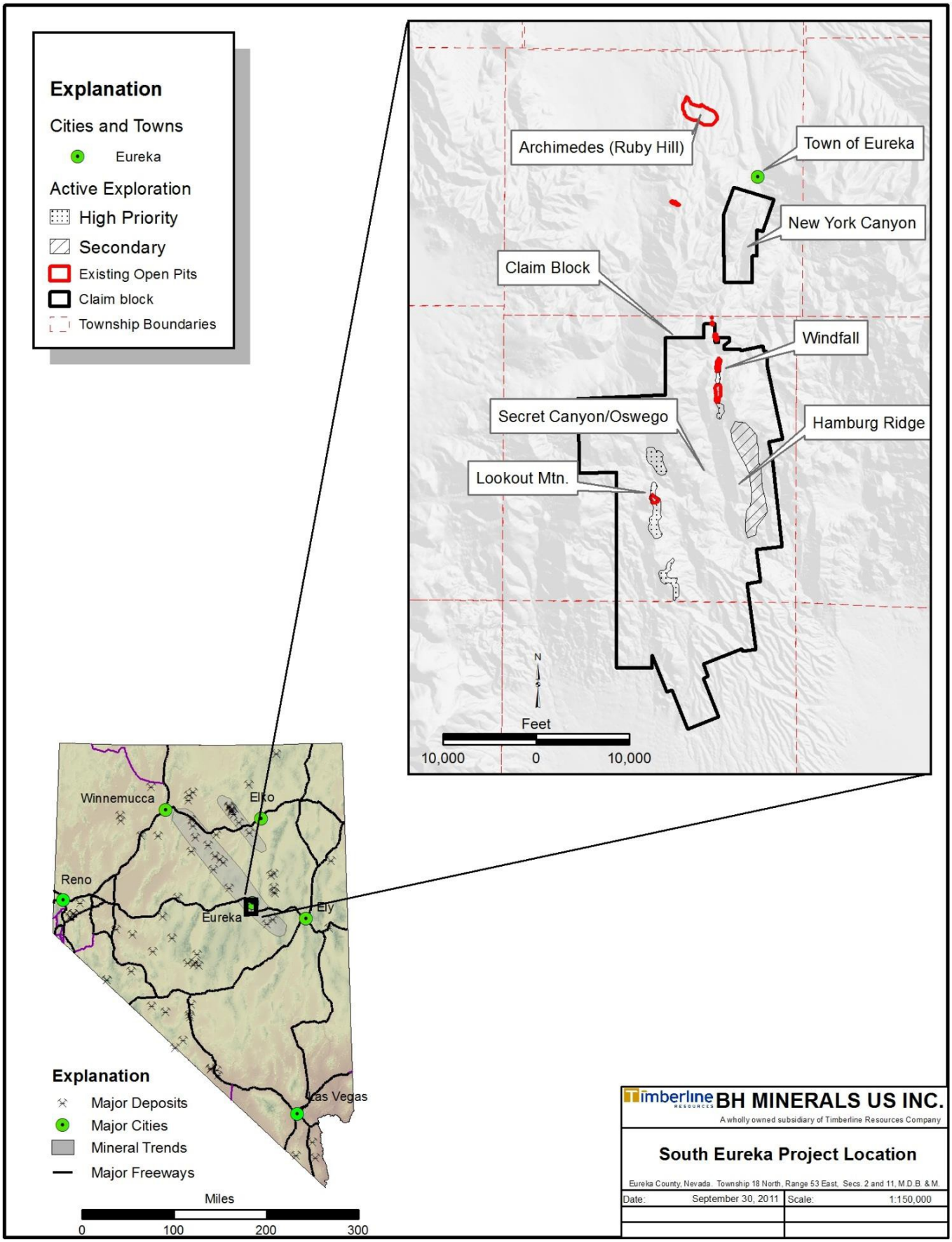
The Eureka Project, which includes Lookout Mountain, Windfall and Oswego projects includes three structurally controlled zones of gold mineralization, each approximately 3- 4 miles (4.8-6.5 km) in strike length, all zones of which are open and will require additional in-fill and step-out drilling.

Historical production of gold in the district included approximately 112,000 oz at the Windfall Mine which began operation in 1975 (Russell, 2005). An additional 17,700 oz of gold was produced from the Lookout Mountain Pit which operated in 1987 (Cargill, 1988, Jonson, 1991).

The Eureka property has no known reserves, as defined under Guide 7, and the proposed program for the property is exploratory in nature.

All unpatented mining claims on the Eureka property has been located under the General Mining Laws of the United States on US Bureau of Land Management ("BLM") managed lands.


N
Elder Creek
Paiute
Seven Troughs
Eureka
Battle Mountain-Eureka Trend
Winnemucca
Wells
Battle Mtn
Carlin
Lovelock
Reno
Fallon
Austin
Eureka
Ely
Tonopah
Caliente
Las Vegas
CARLIN TREND
BATTLE MTN.-EUREKA TREND
WALKER LANE
100
Miles
Districts and Prospects
Producing Mines
Mineralized Trends


Explanation
Cities and Towns
Eureka
Active Exploration
High Priority
Secondary
Existing Open Pits
Claim block
Township Boundaries
Archimedes (Ruby Hill)
Town of Eureka
New York Canyon
Claim Block
Windfall
Secret Canyon/Oswego
Hamburg Ridge
Lookout Mtn.
N
Feet
10,000
0
10,000
Winnemucca
Elko
Reno
Eureka
Ely
Las Vegas
Explanation
Major Deposits
Major Cities
Mineral Trends
Major Freeways
Miles
0
100
200
300
Timberline RESOURCES
BH MINERALS US INC.
A wholly owned subsidiary of Timberline Resources Company
South Eureka Project Location
Eureka County, Nevada. Township 18 North, Range 53 East, Secs. 2 and 11, M.D.B. & M.
Date: September 30, 2011
Scale: 1:150,000

We pay federal and county claim maintenance fees on the Eureka property. The federal claim fees are due to the BLM by September 1 of each year, and the remainder is due to Eureka County by November 1 of each year. The following table summarizes the claims and royalties for the Eureka property:

Eureka Property Claim and Royalty Summary

Property Name & Agreements/Royalties	Type of Claim	Number of Claims	Area
Lookout Mountain Mining lease and agreement dated August 22, 2003, and amended on June 1, 2008, between Timberline and Rocky Canyon Mining Company; 3.5% Net Smelter Return (NSR) royalty + 1.5% NSR royalty capped at $1.5 million (excludes Trevor and Dave claims); 20-year lease term commencing June 1, 2008; annual advanced royalty payment of $72,000.	Unpatented	373	6,368 acres
Trail Timberline holds title	Unpatented	30	620 acres
South Ratto Timberline holds title; 4% NSR	Unpatented	108	1,850 acres
Hoosac 4% NSR	Unpatented	124	1,250 acres
Little Rosa (Hoosac royalty applies)	Patented	1	
North Amselco 4% NSR	Unpatented	94	1,850 acres
Rambler (North Amselco royalty applies)	Patented	1	
South Rustler/W-Claims Claims owned by DFH Co., a subsidiary of Royal Gold, Inc.	Unpatented	16	298 acres
Silverado/TL 12 1%-3% NSR	Unpatented	47	947 acres
Secret Canyon/Oswego Timberline holds title. (Includes 2 mill sites on Syracuse 1 & 2) 0 – 3% NSR	Unpatented	111	1,488 acres
1% NSR	Patented	6	
Windfall Timberline holds title; 4% NSR	Patented	21	165 acres
New York Canyon Timberline holds title; 4% NSR	Unpatented	45	862 acres
Total Unpatented Lode Claims		**948**	15,698 acres
Total Patented Lode Claims		**29**	

Of the claims listed above, the 373 Lookout Mountain claims, the 108 South Ratto claims, 8 of the 16 South Rustler/W-Claims, 56 of the 111 unpatented Secret Canyon/Oswego claims and the 6 patented Secret Canyon/Oswego claims were transferred to Lookout Mountain LLC under the terms of the Lookout Mountain LLC agreement with PM&G. The 2 patented New York Canyon claims that were abandoned in fiscal 2019 have been removed from the table.

We have the right to explore and develop the Lookout Mountain project subject to a mining lease and agreement dated August 22, 2003 with Rocky Canyon Mining Company, and amended on June 1, 2008. The lease term was extended to 20 years on June 1, 2008, and thereafter for as long as minerals are mined on the project. Advance royalty payments are $6,000 per month, or $72,000 per year. Pursuant to the amended lease, annual minimum exploration expenditures of $250,000 are required for five years commencing on June 1, 2008, and an additional expenditure of $250,000 is required before June 1, 2016, for a total minimum work commitment of $1,500,000. Exploration expenditures in excess of $250,000 in any year can be accumulated

and carried forward and credited to expenditures required in succeeding years. We have fulfilled the work commitment on the Lookout Mountain project. A 3.5% NSR royalty, plus a 1.5% NSR royalty capped at $1.5 million (excludes Trevor and Dave claims) exists on the project.

During the year ended September 30, 2012, we acquired the Windfall patented claims. The claims were acquired in exchange for $400,000 cash and 76,662 shares of our common stock with a value of $500,000, based upon the weighted-average closing price of our common stock on the NYSE MKT during the 15 days prior to the acquisition. A 4% NSR royalty exists on these claims.

The Secret Canyon/Oswego, South Ratto, and New York Canyon claim groups are owned by us, subject to royalty agreements. NSR royalties of 2% exist on the projects for claims located within one mile of the Windfall Patented claims. A small portion of the Heiro-Syracuse claim group is subject to an additional 1% NSR.

The Hamburg Ridge project is composed of the Hoosac, North Amselco, and South Rustler/W claim groups. The Hoosac and North Amselco claims are owned by us and are currently under lease to Royal Crescent Valley, LLC, a subsidiary of Royal Gold, Inc. During FY 2018, Royal Gold maintained BLM lease payments and Eureka County fees on the Hoosac and North Amselco claim groups. They also pay Timberline Advanced Minimum Royalty payments on a monthly basis. The South Rustler/W-Claims are owned by DFH Co.

Accessibility, Physiography, Climate and Infrastructure

U.S. Highway 50 passes to the east of the Eureka property and access is gained by heading south out of Eureka on U.S. Highway 50 and connecting with unpaved local roads, some of which are periodically maintained by Eureka County. The turnoff for the New York Canyon claim group is about a half mile south of Eureka on U.S. Highway 50 and is an unpaved road running up New York Canyon to the east side of the claim group.

The Windfall group and the northern parts of the Hoosac and Lookout Mountain groups are accessed by the Windfall Canyon Road and its westward extension (the former haul road for the Lookout Mountain Mine), which turns southwest off U.S. Highway 50 approximately 2 miles south of Eureka.

The southern parts of the Eureka property are accessed by traveling approximately 8 miles south of Eureka on U.S. Highway 50 to South Gate, then 1 mile south-southwest on the Fish Creek Valley road to the unimproved Secret Canyon Road, then northwest to the southern part of the Hoosac claims. Approximately 2 miles from South Gate on the Fish Creek Valley Road, a turnoff to the west and northwest on the Ratto Canyon Road accesses the southern portion of the Lookout Mountain group. Many dirt tracks within the Eureka property allow additional access.

Terrain on the Eureka property is rugged, with high ridges, steep canyons, and narrow valleys. Elevations range from 7,000 to 9,000 feet (2,100-2,400 m). Ridges show abundant bedrock exposures, slopes and valleys are typically covered by soil and alluvium. Sagebrush abounds in lower-elevation areas while juniper and pinion cover the higher elevations. Grasses and shrubs grow on the highest ridge tops. The climate of the project area is semi-arid with the area receiving moderate winter snows and occasional summer thunderstorms, with heavy rain from time to time during otherwise hot and dry summers. In winter, access is not maintained off the paved roads and November snow commonly lingers until April.

Summer temperatures usually consist of many consecutive days over 90º F (32.2º C), and temperatures can reach as high as 100º F (40.6° C) or more. Winter temperatures generally range from as cold as below 0º F (-17.8ºC) to usually in the 20º to 35ºF (-6.67º to 1.7 º C) range. Precipitation amounts vary from year to year, averaging about 10.0 inches (25.4 cm) for the area. Several feet of snow usually accumulate on the property during the winter months.

The Eureka property is situated in north-central Nevada in an area with established mining infrastructure. Transmission power lines serve Eureka from the north. All essential services such as food and lodging are available in Eureka, including the dockage for shipments of heavy equipment. A small airport at Eureka is available for private air transport. Railroad access is also available in the area. The gold mines of north-central Nevada continue to produce a significant portion of the world's gold, and skilled miners and mining professionals are available in Eureka, and 100 miles to the north in Carlin, Elko, and Spring Creek. Permitting a mining operation in Nevada has been a process with which local, state, and federal regulators are very familiar and generally cooperative.

Historical Exploration: 1970's to 1990's

The most significant exploration on the Eureka property has been the drilling programs mounted over recent years. Drilling on the Hoosac and Windfall claims date from Norse-Windfall (63 holes, 1970s-1980s), Amselco (8 holes, mid-1980s), Tenneco (18 holes, 1989-1991), Pathfinder (18 holes, 1993), and Pathfinder/Cambior (36 holes, 1995-1997). On the Lookout Mountain claim group, drilling programs began with Amselco (296 holes, 1978-1985) followed by the Windfall group (20 holes, 1986), EFL Gold Company (10 holes, 1990), Nevada Gold (40 holes, 1992-93), and Echo Bay (70 holes, 1994-95). The drilling programs were conducted concurrent with and guided by extensive geologic mapping, geochemical rock and soil sampling programs, and air and ground geophysics. Geological mapping and geochemical programs were very successful in discovering target areas characterized by permissive structures and traces of gold with arsenic, antimony, and mercury anomalies in soil and rock.

The methods of collection and analyses of some historical soil and rock samples were not always available in the data, but it is likely that the samples were collected, documented, prepared, and analyzed to the standards of professional diligence and analytical techniques applicable at the time. The importance of a geochemical-geological exploration approach is evidenced by the fact that the drilling of many such anomalies has resulted in significant indications of disseminated gold mineralization. The Windfall, Rustler, and Paroni deposits on the Windfall claims and the Lookout Mountain deposit were discovered by drilling soil and rock anomalies in permissive structural and stratigraphic settings. Drill testing of several geochemical anomalies in permissive geological settings has also resulted in the discovery of several additional promising zones of gold mineralization on the Hamburg Ridge, Windfall, and Lookout Mountain claim groups. As yet, these zones have not been fully tested.

Amselco Exploration began exploring the Lookout Mountain project in 1978, conducting extensive geologic mapping, soil and rock sampling and an initial 15-hole reverse circulation drilling program which tested gold mineralization along the Ratto Ridge Fault and associated geochemical anomalies and jasperoids developed along the N-S trending Ratto Ridge. This drilling discovered significant sediment-hosted disseminated gold mineralization at depth. Amselco drilled 296 holes between 1978 and 1985, also discovering five areas of gold mineralization along Ratto Ridge which contain partially developed gold resources. These areas are located at South Lookout Mountain, Pinnacle Peak, Triple Junction, South Ratto Ridge, and South Adit. In 1986, while Amselco was in process of becoming BP Minerals, Amselco management decided that the Lookout Mountain deposit was not of further interest, even though their geologists reportedly believed the deposit had significant potential. The property was optioned to a joint venture of three companies which then owned Norse-Windfall Mines.

In 1990, EFL Gold Mines took bulk samples from the floor of the Lookout Mountain pit. These samples returned assays values ranging from 0.10 to 0.135 oz. of gold/ton. EFL also drilled nine holes, two of which, drilled 500 feet (152 meters) into the floor of the pit, showed both oxide and sulfide gold mineralization.

During the period 1992-1993, Nevada Gold completed geologic mapping, took more than 500 soil samples to expand and fill in Amselco's soil grid, and drilled 42 widely spaced holes, primarily along Ratto Ridge. Drilling targeted favorable stratigraphy at depth near fault intersections. Nevada Gold discovered that geochemical anomalies are apparently controlled by E-NE and N-NW to NW trending cross structures which intersect the N-S trending Ratto Ridge Fault. Much of the Nevada Gold work focused on the potential in Cambrian Dunderberg Shale and Hamburg Dolomite east of the Ratto Ridge Fault, and potential in the Devonian Nevada Group, especially the Bartine Limestone west of the fault. Outcrops of Bartine Limestone in the area show weak gold mineralization, strong alteration, and anomalous pathfinder element geochemistry. Nevada Gold drilled 42 holes to a maximum depth of approximately 1,300 feet and encountered several gold intercepts.

Work by Nevada Gold also included air and ground geophysics and a stratigraphic and geochemical study in conjunction with geologic mapping to develop and prioritize several target areas. Approximately 800 rock samples were collected and had high-quality multi-element ICP, graphite furnace analyses at MB Associates in California, and ICP and neutron activation analysis at Activation Laboratories in Canada. However, geological and geochemical targets, or additional drilling in areas of known mineralization previously discovered by Amselco found insufficient mineralization to meet Nevada Gold's objectives. It should be noted that the potential for mineralization west of the Ratto Ridge crest has not been explored adequately.

Echo Bay (1993-95) not only worked Ratto Ridge but also acquired additional ground to the north, south, and southwest. They conducted mapping, sampling, and scattered drilling in the area, exploring deep high-grade potential in the Cambrian Dunderberg Shale and Hamburg Dolomite, and testing Devonian Nevada Group targets west of the Ratto Ridge Fault. Echo Bay drilled several promising holes, including drill hole EBR 27 which intersected 110 feet (34 m) grading 0.043 oz. of gold/ton in the Dunderberg, and drill hole EBR-9 which intersected 115 feet (35 m) grading 0.043 oz. of gold/ton in the Nevada Group. Offsets of EBR-9 found 90 feet grading 0.028 oz. of gold/ton, and another hole which was lost before reaching planned depth found 45 feet (14 m) of 0.024 oz. of gold/ton. Further offsets of EBR-9 and several widely spaced holes averaging 1,000 feet (305 m) deep (EBR 15, 16, 17, 18, and 20) found some anomalous gold along Ratto Ridge but no major

intercepts. Eventually, the Echo Bay project totaled 104 RC holes. Faced with depletion of budgets with no significant exploration success, the decline in gold prices and large land payments, Echo Bay decided to drop the property.

On the Windfall, Hamburg Ridge, and New York Canyon claim groups, Bill Wilson of the Idaho Mining Corp, then Windfall Venture, later Norse-Windfall, initiated reconnaissance mapping, soil and rock chip sampling, trenching, and drilling in the early 1970s. He noted that the original underground Windfall Mine, which was discovered in 1908 and produced approximately 65,000 tons of "invisible gold" mineralized rock grading 0.368 oz./ton, was a Carlin-type sediment-hosted disseminated gold occurrence. Wilson's work emphasized the east side of Hamburg Ridge, the Windfall Trend, where he drilled, with conventional air rotary, holes F1 through F20, and Z-1 through Z-31, Z42, and ZA-1 on the current Windfall group. He drilled holes Z32-41 on the Hoosac group. The drill holes were generally from 50 to 250 feet deep. Six of Wilson's original forty-three Z-holes intersected gold mineralization exceeding 0.02 oz. of gold/ton. This success led to infill drilling and the development of the Windfall open pit mine in 1975, and soon thereafter, the Rustler and Paroni open pit mines. Gold was extracted in a heap-leach operation from sanded and silicified dolomite and silicified shale.

No geologic maps exist from this period other than a few maps compiled from USGS work. Although many drill hole location maps are archived in Century Gold files, the coordinates for many drill hole collars are not available, very few collars are visible in the field, and assay data from infill drilling is poorly documented.

Exploration: 2005 to 2010 (Staccato Gold)

Staccato Gold advanced exploration of the Eureka property and completed drilling between 2005 and 2007, and in follow-up initiated a comprehensive work program in June 2008 which included geologic modeling of all drilling results. This modeling included structural and stratigraphic controls to mineralization, additional density determinations, and new drilling and metallurgical test data. Results of this work were incorporated into subsequent exploration work completed since 2008.

From 2005-2007 core drilling programs at Lookout Mountain completed by Staccato Gold provided data to better define stratigraphy in the higher-grade breccia-hosted gold zones at the Lookout Mountain pit and discovered new areas of mineralization. The core drilling and a drill hole re-logging program demonstrated the stratabound nature of gold mineralization in thick zones of collapse breccia within carbonate rock flanking the Ratto Ridge structural zone. Metallurgical and other technical characteristics of known mineralization were subsequently investigated at Lookout Mountain.

In October 2009, Staccato Gold also initiated work at the Windfall Project including detailed mapping and sampling programs and completed a ten-hole drill program totaling 8,030 feet (2,448 m). The drilling program focused on testing the extent of gold mineralization below the Windfall and Rustler open pits, located approximately 3 miles northeast of the main Lookout Mountain project mineralized area. The Windfall project is one of several prospective gold projects on our extensive Eureka property in Nevada.

Results from the surface mapping program, review of historical production and geologic maps, and drilling indicate that high-grade gold is locally controlled within cross structures cutting the main Windfall fault zone, at the contact between the Hamburg Dolomite and Dunderburg Shale. The 2009 drill program tested approximately 3,600 feet (1,097 m) of strike length of the Windfall fault zone with wide spaced drilling. The Windfall fault zone is part of an extensive mineralized structural trend which extends for over 17,000 feet (5,182 m) based on historical data.

All holes in the 2009 exploration program encountered thick intercepts of low-grade gold (holes 5–12) or anomalous gold mineralization (holes 13 and 14) within the Windfall fault zone. The offset and exploration holes drilled define the Windfall fault zone as a 150 to 200-foot (46 – 61 m) thick zone striking roughly north-south and dipping approximately 60 degrees to the east, containing two or more significant zones of mineralization.

Five of the ten holes were drilled as offsets to follow up on the high-grade gold intercept drilled in hole 4 (75 feet (23 m) at 0.153 ounces of gold/ton), and five were drilled as exploratory holes to test the strike and dip extent of the Windfall fault zone. Several thick intercepts of gold mineralization were returned, including 135 feet (41 m) at 0.011 ounces of gold/ton in hole 7, 135 feet (41 m) at 0.016 ounces of gold/ton in hole 8, 115 feet (35 m) at 0.010 ounces of gold/ton in hole 9, and 100 feet (30.5m) at 0.018 ounces of gold/ton in hole 11.

A secondary hanging wall structure identified by the mapping program was also encountered in drill holes 7, 8, 11, and 13 and is characterized by strong silicification and decalcification of Windfall Formation and Dunderberg shale in the hanging wall side of the fault, and Dunderberg shale and Hamburg Dolomite on the footwall side. Drilling indicates a down to the east offset of the Dunderberg – Hamburg contact. This secondary structure represents an attractive and untested target at depth.

Lookout Mountain Exploration

We believe that the Eureka property has excellent potential for continued exploration success. The current Lookout Mountain mineralization is defined over a middle section of a mineralized structural corridor that extends up to 6 to 7 kilometers (3.7 to 4.3 miles) in strike length. This structure hosts several areas of drill-indicated mineralization, and the exploration potential in this corridor is strong, as evidenced by historical drilling, and soil and rock geochemical analyses. The Lookout Mountain mineralization itself is open for expansion at depth and along strike, especially to the south. Regionally, several other target areas also exist where historical production and exploration have occurred, but only limited systematic exploration has been conducted.

The Lookout Mountain project and Windfall project areas have now been mapped and sampled including a detailed program conducted over the main mineralized areas. The principal objectives of the mapping and sampling program were to characterize offsets along the main mineralized fault zones at Windfall and Lookout Mountain, identify orientations of mineralized cross structures intersecting the main structural zones, and follow up on soil anomalies. The mapping program, combined with surface sampling and acquisition of historical data, has provided a clearer understanding of the structures along the Ratto Ridge and Windfall areas, as well as identified several significant new exploration target areas.

Over 400 drill holes have been re-logged along Ratto Ridge at Lookout Mountain to ensure geologic consistency with surface mapping. Based on this work, new geologic cross sections and plans were constructed for the entire Lookout Mountain deposit. Geologic grade shells have also been built, and construction of a 3-D model of the geology based on the results of historical drill re-logging and mapping efforts was completed. This new work led to an updated mineral estimate that resolved past technical issues and provides a basis for potentially advancing the property following additional drilling.

An exploration Plan of Operations has been approved by the BLM and the State of Nevada Department of Environmental Protection ("NDEP") for the Lookout Mountain project. The Plan of Operations calls for approximately 266 acres of disturbance that can be accessed for use in a phased approach, and covers the entire Ratto Ridge structural zone. The Plan of Operations will allow us to complete additional infill, metallurgical, and exploration drilling necessary to advance the development of the Lookout Mountain project.

From 2010 through 2013, the exploration work programs totaled approximately $9,000,000 on the Eureka property. Program objectives were to obtain sufficient data to prepare an NI 43-101 compliant technical report at Lookout Mountain, conduct initial gold recovery studies, initiate environmental baseline investigations, better understand the controls of mineralization, and to outline additional exploration drill targets. In summary, these objectives were met in the 2010-2013 exploration by completion of the following:

- 16,675 feet (5,083 m) of core drilling focused primarily for metallurgical and geotechnical scoping studies;
- 46,965 feet (14,315 m) of reverse circulation (RC) drilling directed primarily at resource in-fill and definition drilling;
- Drill testing of high-grade sulfide lenses within the oxide mineralization to better understand the geologic controls and geometry;
- Additional testing activities, including metallurgical testing on core samples, channel sampling and bulk sampling within the historical Lookout Mountain pit, identification of additional exploration targets on the Eureka Property outside of the main Lookout Mountain Project area, and drilling and construction of additional groundwater monitoring wells.

An initial technical report entitled, *Technical Report on the Lookout Mountain Project, Eureka County, Nevada, USA*, compliant with NI 43-101 ("2011 Technical Report"), was completed on May 2, 2011. 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. In addition, significant exploration potential was noted.

The Technical Report was modeled and estimated by MDA by statistical evaluation of available drill data utilizing geologic interpretations provided by Timberline. The geologic interpretations were used to constrain gold mineral domains on vertical cross sections spaced at 50- to 100-foot intervals across the extents of the Lookout Mountain mineralization. The cross sections were rectified to 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.

The final drill results of the 2011 exploration program were successfully incorporated into the NI 43-101 compliant *"Updated Technical Report on the Lookout Mountain Project, Eureka County, Nevada, USA"* issued by MDA on May 31, 2012 ("2012 Technical Report"). As a result of the 2011 exploration program, we successfully extended the mineralized zone at Lookout Mountain 600 feet to the south of the existing mineral deposit, and expanded mineralization along the west margin of the deposit. Results from Lookout Mountain, and from the South Adit area, significantly increased the reported mineralization at the Lookout Mountain Project.

Assay results from drilling during the 2012 and 2013 exploration program were incorporated into an NI 43-101 compliant *"Updated Technical Report on the Lookout Mountain Project, Eureka County, Nevada, USA"* issued by MDA on April 11, 2013 ("2013 Technical Report").

Cautionary Note to U.S. Investors: The Lookout Mountain 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 Canadian regulations (NI 43-101); however, these terms are not defined terms under 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 Lookout Mountain Technical Report in this Annual Report on Form 10-K for informational purposes only, and the Lookout Mountain 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.

Eureka

Exploration activities at Eureka were curtailed during 2014, as a result of the limited availability of capital. To reduce ongoing expenses, we consolidated our Elko field office into our Eureka facility and limited the exploration program. The limited program did include geochemical waste rock environmental characterization, independent metallurgical testing, and continued monitoring of water quality, and definition of hydrologic work plans. In addition, geologic mapping, and stratigraphic and structural analyses have been completed along with rock and soil sampling in selected detailed areas. This activity has resulted in identification of new targets characterized by anomalous mineralogy and trace element geochemistry as indicators of possible gold mineralization.

In fiscal 2015, three holes were drilled at Lookout Mountain to confirm a previously recognized partial drill intercept of higher-grade gold mineralization at depth. This higher-grade mineralization is associated with the previously defined zone along Ratto Ridge of near-surface, low-grade gold mineralization. The four drill holes were offset approximately 140 feet from a single previous partial intercept. The geology in the holes is stratigraphically well correlated with gold intercepts occurring in mineralized variably carbonaceous collapse breccias similar to previous gold intercepts in the pyritic Dunderberg Shale-Hamburg Dolomite contact zone. The four intercepts are thought by Timberline geologists to be related to a higher-grade occurrence as recognized in many deeper levels of Carlin-type systems. Highlights of 2015 Lookout Mountain drilling include 65 feet (19.8 m) @ 0.09 ounces of gold per ton, including 25 feet (7.6 m) @ 0.14 opt in BHSE-171. Three of four recently drilled Lookout holes intercepted >3 g/t gold over lengths of approximately 15 to 5 feet (4.5 to 7.6 meters).

During the continued difficult commodities environment of fiscal year 2016 and 2017, we did not complete any drilling or field exploration activities on the Eureka Project. However, we have secured 19 historical mine-related workings including shafts, adits, and trenches to ensure public safety in compliance with State of Nevada Abandoned Mine Lands regulations. In addition, with field reviews, we did complete a reconciliation of BLM and Nevada state bond calculations with actual disturbed acreage. This process was subsequently completed in early fiscal year 2017. We also initiated reclamation of drill sites at Lookout Mountain which will, when completed, result in staged refunds of bond funds.

During fiscal year 2018, we completed a detailed geologic review and reinterpretation of the Lookout Mountain gold mineralization. Work focused on internal geologic modeling of 17 intercepts of high-grade (>0.136 opt & up to 2.250 opt) gold mineralization that is associated with extensive zones of structurally controlled fault- and gouge-breccias, as well as carbonaceous collapse-breccia (see Table below). The gold mineralization is associated with orpiment and realgar (arsenic sulfides), which are commonly found in many major Carlin-type gold deposits. This geologic review led to design and completion of a detailed gravity survey and further analysis of historical geophysical survey data. A detailed grid area around the historical Lookout Mountain open-pit area defined a circular gravity low approximately 1.25 miles (2 km) in diameter and bounded and cut by several complex internal structures. The west margin of the anomaly is coincident with jasperoid alteration

and gold mineralization of the Lookout Mountain resource. The gravity anomaly is recognized to correlate well with reduced-to-pole airborne magnetics survey and geologic mapping. Major structures identified by magnetics and geologic mapping bound the gravity anomaly.

The results of the geological review are as follows:

Drill Hole	From (feet)	Length (feet)[1]	Gold (opt)	From (meters)	Length (meters)[1]	Gold (g/t)
BH05-01	270	65	0.344	82.3	19.8	11.79
including	275	25	0.641	83.8	7.6	21.98
BH05-03	193	3	2.250	58.8	0.9	77.14
BH06-02	445	27	0.364	135.7	8.2	12.48
BH06-07	406	92	0.217	123.8	28.0	7.44
BH06-13	148	3	1.47	45.1	0.9	50.40
BR-19	220	15	0.323	67.1	4.6	11.07
BR-19	385	75	0.283	117.4	22.9	9.70
BR-26	440	20	0.323	134.1	6.1	11.07
RTR-134	415	55	0.345	126.5	16.8	11.83
RTR-180	365	10	0.345	111.3	3.0	11.83
RTR-181	365	15	0.197	111.3	4.6	6.75
RTR-258	500	10	0.430	152.4	3.0	14.74
BHSE-126C	31	15	0.967	9.5	4.6	33.15
BHSE-151C	506	8.6	1.023	154.3	2.6	35.07
BHSE-152	1,030	10	0.165	314.0	3.0	5.66
BSE-171	1,020	10	0.230	311.0	3.0	7.89
BHSE-172	900	40	0.136	82.3	19.8	11.79

(1) Drill thickness - True widths of drill intercepts have not been determined
(2) See press releases dated July 10, 2018 at http://timberlineresources.com/press-releases) and *Updated Technical Report on the Lookout Mountain Project, MDA, Effective March 1, 2013, Filed on SEDAR April 12, 2013*

Three lines of historical (1992) IP data at Lookout Mountain define three N-S trending anomalies which are partially coincident with the high-grade gold drill intercepts and fault structures. In addition, a single line of historical Controlled Source Audio Magneto-Telluric (CSAMT) data which crosses the Lookout Mountain historical open-pit area was also reviewed in the context of the recently collected gravity data. The gravity data coordinates well with structures identified in the CSAMT and with magnetic signatures and geologic mapping. In particular, the CSAMT data identify a high-resistivity feature spatially associated with jasperoid along the west boundary of an area of low resistivity interpreted to be a graben. The graben's west boundary is extensively drilled and is approximately coincident the existing north-south trending gold resource at Lookout Mountain. The central portion of the graben contains a large, high-resistivity anomaly, which has only been tested locally on the west side by only four previously noted closely-spaced holes (BHSE-152, -171, -172, -173), all of which contain relatively high-grade gold. The gold is associated with vein-like and brecciated arsenic sulfides within carbonaceous breccia, above extensively altered ("sanded" and veined) limestone, and below altered shale. The east boundary fault, and other faults within the graben structure remain undrilled and represent priority target areas.

Windfall Exploration

In 2015, we also completed a six-hole RC drill program on the Windfall target. The drilling successfully tested the on-strike, offset, and down-dip extensions of gold mineralization that was previously mined at Windfall. Six drill holes completed over a strike length of approximately 3,000 feet (914 m) intersected gold mineralization consistent with results from over 600 historical drill holes, highlighted by BHWF-40 which intersected 80 feet (24.9 m) at 0.09 opt of gold including a subsection of 20 feet (6.1 m) @ 0.26 opt of gold.

In 2018, additional field work focused on rock grab sampling combined with compilation of drilling data and geologic modeling, has traced a continuous zone of gold mineralization along a length of approximately 1.7 miles (2.7 km) in and between the historical Rustler, Windfall, and South Paroni pits. The sampling collected 40 rock chip samples. Highlights included 10 samples with greater than 1 g/t (0.029 opt) gold and 6 greater than 3 g/t (0.088 opt), up to a maximum of 13.1 g/t (0.382 opt). In total, 17 samples assayed greater than 0.250 g/t (0.007 opt), documenting the extensive zone of gold mineralization. These pits produced approximately 115,000 oz of gold from oxidized, near-surface ore and were among the first heap-leach mining operations in Nevada.

With results of recent rock grab sampling, the Company has identified several priority targets for drill testing. The anticipated initial targets will be sited on patented claims owned by Timberline.

Oswego Exploration

The Oswego trend is the central of three parallel, north-south, gold-mineralized structural trends on the Eureka property. Results of 2018 surface rock chip sampling and geologic mapping have defined, high-grade, gold exploration targets along the Oswego trend. The Oswego trend, which extends 3.1 miles (5 km) north-south, includes high-grade gold at the Road-Cut target which is situated approximately 4,000 feet (1.2 km) due east of the Lookout Mountain resource area, and high-grade silver and gold at the Geddes- Bertrand target, and numerous additional untested targets.

In 2018, company geologists generated and announced assay results for 54 rock samples collected at Oswego. Most notably, 9 grab samples were collected at approximately 20 feet (6 m) spacing over a 180-foot (55 m) section of road cut along a moderately east-dipping, strongly mineralized fault zone (the Road-Cut target). The assays averaged 0.4 ounces per ton (opt) gold. The Road-Cut target sits approximately 2,000 feet (610 m) east of the major graben-bounding fault structure associated with the Lookout Mountain gold resource. The relatively close proximity of the Road-Cut occurrence to structures associated with Lookout Mountain suggests a possible geologic connection.

The occurrence of wide-spread gold and silver mineralization in outcrop in the Oswego trend suggests the existence of a robust mineralizing system. Several rock formations on the trend are well-known as favorable hosts for large Carlin-type deposits in the region.

Lookout Mountain Gold Project:

On May 9, 2019, we entered into a non-binding Letter of Intent to form a Limited Liability Company (the “Agreement”) with PM&Gold Mines, Inc. (“PM&G”) for the advanced exploration, and if determined feasible, the development of our Lookout Mountain Gold project, located on the southern end of the Battle Mountain-Eureka Trend near Eureka, Nevada. A final Agreement received regulatory approval from the TSX Venture Exchange on July 27, 2019. PM&G is a private firm incorporated in Nevada with an interest to explore and advance gold projects to production. The parties executed a binding definitive Limited Liability Company Agreement (the “LLC” and the “LLC Agreement”) effective June 28, 2019 following completion of business and technical due diligence.

The LLC Agreement calls for PM&G to fund exploration and development activities in two stages for an earned equity in the project. Timberline will contribute certain claims that constitute the Lookout Mountain project and adjacent historical Oswego Mine area (the “Project”) to the LLC in exchange for its ownership position. Timberline will manage the project at least through Stage I of investment. PM&G shall retain the right to manage all Stage II activities with or without Timberline’s participation.

Concurrent with completion of the Agreement, PM&G also participated in a private placement and acquired 3,367,441 shares, or 4.99%, of our common shares. The placement includes the right of PM&G to maintain its position in Timberline by pro-rata participation in future financings. The initial interests in the LLC are 51% PM&G and 49% Timberline. PM&G’s contribution to the LLC must be earned-in as follows:

Stage I – Earn 51%: PM&G will earn 51% of the Project in consideration of incurring exploration expenditures of $6 million dollars to be directed towards advance of the low-grade oxide and high-grade oxide and refractory mineralization over a two-year period. The primary focus of the expenditure will seek to identify any near-term production potential (oxide/high-grade mineralization). This exploration will also test expansion of both high-grade and oxide mineralization outside the defined resource. The plan and effort have been developed and agreed upon through a joint Management Committee appointed by the Company and PM&G.

Stage II – Earn 70%: PM&G will earn a 70% interest in the Project when a bankable feasibility study is completed. PM&G would fund tasks at its sole expense to support the feasibility study including initiating permitting, metallurgical studies, trade-off studies, and other technical work deemed reasonable and appropriate, along with annual holding fees if Stage I has been completed. Work towards the feasibility study will be completed within 3 years of completing Stage I or as mutually agreed upon by both companies. To ensure the Project continues to advance, the Technical Committee will prepare an annual budget to implement prudent and appropriate activities.

Timberline Option to Participate 51- 49%: – When the $6 million expenditure is reached (Stage I), Timberline has the option to participate in subsequent expenditures at the 49% level. Should Timberline determine to participate, all future costs incurred to bring the Project to production will be split on a pro-rata basis.

If Timberline should choose not to participate, the Company will be further diluted and PM&G will earn 70% ownership by completing the above activities defined as Stage II.

*Timberline Option to Participate 70 – 30%***:** At the end of Stage II, Timberline may elect to participate in subsequent expenditures at the 30% level or may elect one of the following options:

- Reduce its interest to a 10% net profit interest ("NPI") or a 2% net smelter royalty ("NSR"), or
- Sell its remaining interest in the Project to PM&G at a price agreed between the parties following completion and evaluation of Stage I and Stage II exploration, per terms of the Mutual Right of First Refusal ("ROFR") defined below.

If PM&G determines not to advance beyond the 51% following completion of Stage I, it may elect one of the following options:

- Participate at the 51 percent level or be diluted to a 30 percent interest by TLRS completing the Stage II activities as defined above or
- Reduce its interest to a 10% NPI or a 2% NSR payable in gold, or
- Sell its remaining interest in the Project to Timberline at a price agreed between the parties following completion and evaluation of Stage I exploration, per terms of the Mutual ROFR defined below.

Mutual Right of First Refusal ("ROFR") **–** The Agreement will include a mutual ROFR wherein either JV partner may acquire the other partner's interest at fair market value or as mutually agreed. Both partners will have a right to exercise the ROFR should either receive a 3rd party offer.

Lookout Mountain Exploration Activities

Exploration activities on the Lookout Mountain project were initiated under the Earn-in Agreement in Q4 of FY2019. These activities included initiating a comprehensive re-logging of drill core in the vicinity of the historical Lookout Mountain open pit. Past core and rotary drilling has partially delineated an area of high-grade (defined as drill hole intercepts of ≥0.10 ounces/ton (opt) (3.43 grams/tonne (g/t)), Carlin-style gold mineralization in the Lookout Mountain historical open pit mine area, where 17,700 ounces of gold averaging 0.12 opt (4.11 g/t) were produced in 1987. These include 48 drill intercepts of ≥0.25 oz/ton ((8.6 gram/tonne (g/t), and 64 intercepts of 0.10 – 0.25 opt (3.4 – 8.6 g/t). The high-grade gold area as currently delineated extends approximately 1,000 feet (305 m) within the pit area and is open to the east and is 100-300 feet (30–91 m) wide. It includes relatively flat-lying to moderate dipping, high-grade zones at multiple elevations including some exposure in the historical pit. The gold mineralization is constrained at least in part by stratigraphy and zones of decalcified collapse breccias. The breccias locally contain orpiment and realgar (arsenic sulfides), which are commonly found in many major Carlin-style gold deposits.

In addition to relogging historical drill core, project land survey control was completed by a Nevada licensed land surveyor. The work was designed as part of a QAQC assessment of historical data with results to facilitate advancing the project spatial controls to standards required for mine planning, resource modelling and engineering.

Eureka Project Exploration Summary

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

Our total exploration budget for the project for fiscal year 2020 is approximately $3,000,000 at Lookout Mountain which is to be funded by PM&G, and $125,000 for Windfall, not including land maintenance costs. The expenditures for this work program at Lookout Mountain are mandated by the JV agreement; expenditures at Windfall are discretionary and may be scaled back or not conducted at all, depending upon the availability of capital separate from the Lookout Mountain JV. For

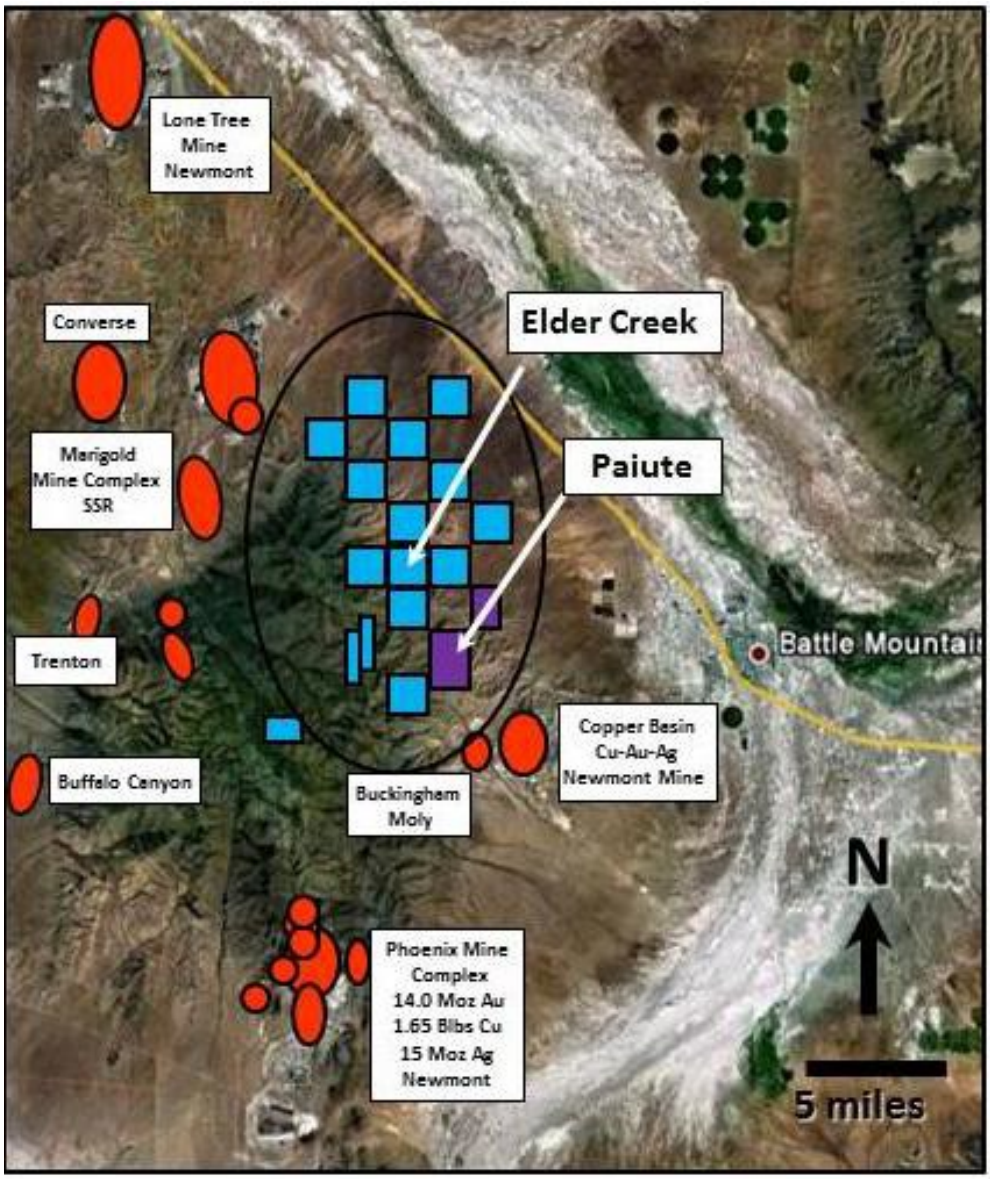
further details on the exploration budget for the Eureka Property, see "Management's Discussion and Analysis of Financial Condition and Results of Operation – Mineral Exploration – Exploration Plans and Budget."

Elder Creek Project

On August 14, 2018, we finalized the acquisition of the Elder Creek property as part of a two-property acquisition from Americas Gold Exploration Inc. The Elder Creek property is located in northern Nevada, 8 miles west-northwest of Battle Mountain in Lander and Humboldt Counties immediately west of Battle Mountain (see figure below). The project lies within the Battle Mountain mining district, covers approximately 9,600 acres (15 miles square) and includes 583 unpatented lode mining claims.

The major styles of mineralization recognized in the Elder Creek area are calc-alkaline, porphyry copper style mineralization and associated peripheral gold-silver-bearing base-metal vein systems. The hydrothermal alteration zoning pattern indicates the presence of a large magmatic-hydrothermal center(s) to the Elder Creek porphyry system. The stockwork quartz veined core of the system is northeasterly-elongate and exceeds 1 by 2 miles (~1.5 by 3 km), which compares favorably to other global porphyry copper systems and regional systems such as Robinson, Yerington, Butte, and Bingham.

In May, 2018, Timberline entered into a Purchase and Sale Agreement with America's Gold Exploration Inc. (AGEI) to purchase the latter's rights, title and interest in, to, and under the Elder Creek Joint Venture (JV Agreement) with a subsidiary of McEwen Mining (McEwen).



The underlying Elder Creek JV with McEwen grants Timberline, as operator of the project, terms of earn-in to acquire a 51% ownership for $2.6 M expenditure over 4 years by December 31, 2021, and a 65% ownership for an additional $2.5M expenditure for a total commitment of $5.1M over 6 years by December 31, 2023. The agreement includes industry standard dilution to a 2% NSR following earn-in. Upon completion of the 65% earn-in expenditures, if McEwen elects to participate, the parties will form a joint venture (the "Joint Venture"), and each party would contribute to further exploration spending according to their ownership interest. There are no underlying royalties on the property.

On November 28, 2018 the Company announced completion of a NI43-101 Technical Report on the Elder Creek Copper-Gold Project. The report provides a comprehensive description of the project.

The Elder Creek property has no known reserves, as defined under Guide 7, and the proposed program for the property is exploratory in nature.

Accessibility, Physiography, Climate and Infrastructure

Access to the Elder Creek property is along dirt roads south from the Interstate 80 Exit at Mote Road which is approximately 12 miles west of Battle Mountain. A single lane dirt road for approximately 5 miles southward leads to the center of the property block.

The climate is typical of the northern Great Basin with cold, wet winters and hot, dry summers. Most of the precipitation is received during the months of November through May, primarily in the form of snow. The months of June through October are generally dry, although thunderstorms can create wet periods.

The project is situated in the Basin and Range province, which is characterized by north-northeast trending mountain ranges separated by alluvial filled valleys. The claims are located in the Battle Mountains, a roughly equidimensional mountain range varying in elevation from a high of 8550 feet (2,600 m) at North Peak to a low of approximately 4500 feet (1372 m) in the Reese River Valley. Elder Creek sits in the transition from high mountain peaks to the south with moderate elevations to the west and east and alluvial pediment to the north.

The Elder Creek property is situated in an area with well-established mining infrastructure. An east-west trending high-voltage power line transects the northern portion of the property and connects with the Valmy Power Plant which is located approximately 14 miles to the northwest of the property. Interstate Highway 80 located immediately north of the property connects Winnemucca approximately 42 miles to the northwest, Battle Mountain 12 miles (19 km) to the southeast, and Elko 83 miles (134 km) to the northeast. Essential services such as food and lodging are available in Battle Mountain, including dockage for shipments of heavy equipment. Battle Mountain's estimated 2010 population was 3,635 (2010 US Census). A small airport at Battle Mountain is available for private air transport, and regularly scheduled air service is available in Elko, Nevada.

Skilled technical support professionals, mining supplies, and services area are available in Battle Mountain, Winnemucca, and Elko.

History

The Elder Creek project is located in the northern part of the Battle Mountain-Eureka trend. The Battle Mountain district has been a source of base and precious metal production since the late 1800s. In the 1960's Duval Corporation developed and began mining several porphyry-skarn copper-gold deposits located at Copper Canyon in the southern part of the district and at Copper Basin located in the northern part of the district. Continued exploration in the 1970's and 1980's led to the discovery of gold-silver, skarn-replacement deposits that are spatially related to the copper-gold deposits. Battle Mountain Gold Company was spun off from Duval Corporation to develop these deposits (Tomboy, Minnie, Fortitude in the Copper Canyon area; Surprise, Labrador, and Bailey Day in the Copper Basin area). Battle Mountain Gold (now Newmont Mining Corporation) developed and mined other deposits (Midas, Reona, Phoenix) primarily in the southern Copper Canyon porphyry system within the Battle Mountain district. Newmont continues to mine at Phoenix today.

Numerous very small-scale historical prospecting and mining related developments including test pits, adits, shafts, and declines are present throughout the district including locally on the Elder Creek property. Production records are typically unknown for each of these developments.

Precious metal-rich base metal veins were first prospected in the area in the late 1800's, but only minor production resulted. The pervasive alteration of the Elder Creek stock attracted the attention of explorers for porphyry copper mineralization as early as the 1960's. Duval Corporation was the first company to test the Elder Creek porphyry system for porphyry copper mineralization. In 1965 they drilled 3 core holes. From 1966 to 1969, Rocky Mountain Energy, the minerals group of the

Union Pacific Railroad Co., completed exploration on the property -and in 1968 they drilled 8 deep core holes that encountered sub-economic copper-molybdenum values.

Additional exploration in the 1960's focused on geophysical targets and included multiple drill holes in and around S36, T33N, R43E. The drill holes discovered low-grade copper mineralization under pediment gravels where located within the north-northeastern, outer fringe of an annular magnetic anomaly that surrounds the porphyry system core. Also, in the 1960's, Valmy Copper Corporation drilled five shallow holes that identified low-grade copper oxide mineralization from surface to 190- 330 feet deep along the inner edge of the annular magnetic anomaly. The reported copper grades were considered to be too low to warrant further exploration.

Low-level gold values within and around the Elder Creek stock led to fairly extensive drilling by several major companies in the 1980's and 90's. V. E. K. Associates held the property in 1984 and brought in Cordex (1987) to drill 3 holes, BRM Gold (1991) drilled 4 holes, and Battle Mountain Gold (1992) completed 3 holes. Battle Mountain Gold staked most of the Elder Creek stock and completed about 40 drill holes, reportedly encountering substantial low-level gold but no orebody. Western Mining Co. (1994-95) drilled 11 holes in the Elder Creek property area and 8 holes on adjacent ground. The deepest hole went to a depth of about 1,500 feet. Eleven of these holes contained thirty, 10-foot intervals that exceeded 100 ppb gold (Theodore et al., 2000, p.185). During 1995, a Santa Fe-Battle Mountain Gold joint venture drilled 7 holes north of the property, one on the north boundary of the Mote claims. The Mote claims were located by NLRC in 1999.

Geology of the Elder Creek Area

In the western part of the Elder Creek area, the Dewitt Thrust fault places Ordovician Valmy Formation cherts and shales on top of Cambrian Harmony Formation quartz- and feldspathic-sandstones and shales, which are locally calcareous. Faults at Elder Creek dip steeply, strike north-northwest to north-northeast and show normal and oblique-slip offset. The Elder Creek Fault indicates normal, down-to-the- west movement.

The Cambrian Harmony Formation underlies most of the Elder Creek area and is intruded by dikes and stocks of the Eocene Elder Creek porphyry center (Theodore et al., 1973). In addition to the felsic intrusions associated with the Elder Creek center, there are older dioritic and andesitic dikes in the area as well as Eocene pebble dikes that contain lithic fragments of the Devonian Scott Canyon Formation.

At Elder Creek, the Cambrian Harmony Formation consists of arkosic sandstone and interbedded shale that forms part of the upper plate of the Roberts Mountains allochthon, emplaced during the Devonian-early Mississippian Antler Orogeny (Roberts, 1964). The Roberts Mountains allochthon is comprised of several thrust slices and is exposed in the area as the DeWitt thrust which juxtaposes Cambrian Harmony Formation on top of the Ordovician Valmy Formation.

King (2011) documented three major phases of felsic intrusions that include early-stage, fine- to medium-grained sub-porphyritic hornblende-biotite granodiorite and intermediate-stage and late-stage quartz eye-hornblende-biotite granodiorite porphyry. The intermediate- and late-stage intrusions have been dated by K-Ar to be 37.3 + 0.7 Ma and 35.4 + 1.1 Ma, respectively (Theodore et al., 1973 and McKee, 1992).

Hydrothermal breccias are locally present in the Elder Creek complex and are dominated by quartz and rock flour matrix which supports sub-rounded to sub-angular clasts of Harmony Formation and porphyry phases. Clasts are typically pervasively altered and occasionally mineralized with copper oxides.

Alteration is extensive at Elder Creek and occurs in broad annular zones that suggest a large magmatic-hydrothermal center(s) is present within the Elder Creek porphyry system. The intense stock-work fractured and quartz veined core of the system is northeasterly-elongate and exceeds 3.0 km by 1.5 km. Surface exposures indicate the limit of potassic (biotite+K-feldspar) alteration is about 4.0 km by 2.5 km and the outer limit of biotite-pyrite-pyrrhotite hornfels in the Harmony Formation sandstones exceeds 4.5 km by 3.5 km. Actinolite alteration occurs locally within the quartz veined core of the porphyry system. Garwin (2014) interprets the actinolite as characteristic of inner- propylitic alteration that overprints and flanks the potassic zone in many global porphyry deposits. Several northerly-trending zones of late-stage, feldspar-destructive quartz-sericite-pyrite alteration occurs in the outer portions of the Elder Creek porphyry system, and the largest zone, near the Gracie mine, exceeds 2.0 km by 1.5 km.

McEwen (or predecessor companies) completed extensive soil and rock sampling on the property between 2011-2012. Trace element analyses from over 5,500 soil and rock samples confirm strong zonation in the magmatic-hydrothermal system at Elder Creek. Garwin's (2014) work on behalf of AGEI concluded that the distribution of key trace elements suggests there may be two primary centers at Elder Creek including: 1) Cu-Mo-Ag-W-As-Li centered over the west central part of the area and 2) Cu-Au-Mo-W-Bi-As in the northerly elongate zone that extends along the east side of the property. The presence of Li > 30 ppm and the relative lack of Bi in the western center which is cored by early-stage intrusions may indicate that this center is early

and has been overprinted by a later porphyry event. The near-surface expression of this later event could be the eastern, Bi-rich and Li-deficient zone that contains intermediate-stage quartz-eye porphyry intrusions. A Bi-rich plume has the potential to be the high-level signature of a northerly-elongate mineralized cupola at depth.

2018 Timberline Exploration

Following acquisition of the project from AGEI in mid-2018, Timberline completed an initial 3-hole drill program to test for copper and gold, and associated metals, on two priority targets. Mineralization at Elder Creek is variably distributed throughout the complex as disseminated sulfides and as locally concentrated, structurally controlled massive sulfide veins.

Drilling confirmed the presence of copper oxide and sulfides in the Valmy Copper Oxide Pit-area. Reverse circulation (RC) drill hole RCEC18-01 intersected 110 feet (34 meters) of 0.44% copper. The entire 500-foot (152 meters) hole averaged 0.21% copper, and bottomed in mineralization at 500 feet due to depth limitations of the rig (see Table below). It contains multiple intervals of anomalous copper with silver ± gold. These holes intersected continuous copper mineralization grading 0.2% to 0.3% from surface to their maximum depths of 200 to 300 feet. The hole successfully tested the grade and continuity of mineralization intersected in five shallow vertical holes drilled in 1967 when copper prices were $0.38/lb.

Drill Hole	From (feet)	To (feet)	Total* (feet)	From (meters)	To (meters)	Total (meters)	Cu ppm	Mo ppm	Au (g/t)	Ag (g/t)
RCEC 18-01	0	500	500	0	152.4	152.4	2,099	145	-	3.0
Including:										
	0	270	270	0	82.3	82.3	2,826	147	-	4.0
	160	270	110	48.8	82.3	33.5	4,385	181	-	5.0
	195	210	15	59.5	64.0	4.6	5493	132	0.331	13
	**True thickness of drill intercepts is unknown*									

RCEC18-01 was collared in heterolithic breccia of the Harmony Formation, and over its 500 foot (152 meters) length also intercepted oxidized arkosic quartzite, and a quartz-bearing porphyritic intrusion with strong potassic (biotite) and silica alteration. The hole was sited within a zone of porphyry-style quartz veining, and over a strong annular magnetic anomaly encircling a non-magnetic core to the system.

Core hole CCEC18-02 deepened reverse circulation hole RCEC18-02 to1,497 feet and intersected visible chalcopyrite and molybdenite mineralization throughout with mineralization best developed in hydrothermal breccias between 1313.5 – 1360 feet (400.5-414.6 m) (see Table below). It intercepted pervasively altered hornfels (after Harmony Formation shale and arkosic sandstones), feldspar porphyry intrusive rocks and hydrothermal breccias. The cross-cutting textures and breccias reflect multiple, overprinting events including emplacement of copper and molybdenum sulphides. The chalcopyrite and molybdenite are concentrated (typically 2-6%) from 1,313.5 - 1,360 feet (400.5 – 414.6 meters), where they occur primarily within veins and the quartz-sulphide matrix to breccia which cross-cuts potassic-altered hornfels and associated porphyritic intrusions.

Drill Hole	From (feet)	To (feet)	Total* (feet)	From (meters)	To (meters)	Total (meters)	Cu ppm	Mo ppm	Au (g/t)	Ag (g/t)
CCEC 18-02	840	1497	657	256.1	456.4	200.3	1,450	730	-	4.1
	Including:									
	1313.5	*1360*	*46.5*	*400.5*	*414.6*	*14.2*	*1.20 %*	*0.31%*	*0.126*	*25.5*
	**True thickness of drill intercepts is unknown;*									

The Timberline drilling intersected thick and consistently mineralized sections of copper mineralization with variable molybdenum, gold, and silver. The results confirm discovery of a large porphyry copper-gold system with typical anomalous multi-trace element signatures. The mineralization remains open laterally and at depth.

With the exploration success in 2018, Timberline contracted Zonge Geophysics of Reno, Nevada to complete a 10 km Induced Polarization (IP)/Resistivity survey at the property. The survey characterized the rocks for signatures associated with concentration of sulfides (IP), associated silicification (Resistivity) as hydrothermal alteration, and identification of major fault zones within the project area. The project is fully permitted with the BLM for additional drilling, which is planned after completion of the geophysical work.

The Induced Polarization /Resistivity (IP) geophysical survey was completed in late 2018 in follow-up to drilling of core hole CCEC18-02 and RCEC18-01. Key conclusions of the IP survey include:

- The IP maps a distinct body of sulfide mineralization ≥1,600 m long and 500 - 800 m wide within a very large (4 km) circular copper-molybdenum-gold-silver porphyry mineral system;
- The IP suggests that, although well mineralized, Timberline's initial drill holes did not test the strongest part of the large mineral system. Furthermore, historical drilling was too shallow (typically <200m depth) to intersect the anomaly.

2019 Timberline Exploration

In follow-up to the 2018 drilling and IP results, reverse circulation (RC) hole RCEC19-01 was drilled in mid-2019 to a depth of 1,960 feet (600 meters) to target the heart of the IP/resistivity (IP) geophysical anomaly. RCEC19-01 intercepted approximately 590 feet (180 m) of intensely stockwork quartz-veined, altered (quartz-biotite ± sericite) Harmony Formation quartzite and hornfels and an underlying thick section of 1,361 ft (415 m) of intensely-altered, quartz-feldspar, variably porphyritic intrusive rock. Alteration of the intrusion is dominated by quartz-sericite with variable chlorite and biotite. Porphyry style mineralization is visible throughout and is especially notable within the intrusive phase as pyrite-chalcopyrite ± molybdenite, with anomalous copper, molybdenum, and silver as follows:

Drill Hole	From (feet)	To (feet)	Total (feet)	From (meters)	To (meters)	Total (meters)	Cu (%)	Mo (ppm)	Au (g/t)	Ag (g/t)
RCEC 19-01	270	1960	1690	82.3	597.6	515.3	*0.07*	212		2
including:	*475*	*680*	*205*	*144.8*	*207.3*	*62.5*	*0.12*	*222*		*4*
	1115	*1180*	*65*	*339.9*	*359.8*	*19.9*	*0.25*	*181*		*5*
	1615	*1630*	*15*	*492.4*	*497.0*	*7.6*	*0.21*	*233*		*5*

Management considered the initial drilling and geophysical program results at Elder Creek to be encouraging and to validate the presence of a large porphyry copper-type mineral system. Additional follow-up drilling has been completed in late 2019; the drilling intersected strong visible host-rock alteration and iron-copper-and molybdenum mineralization; all assays are pending.

ICBM (Paiute) Project

The ICBM Project (Timberline/Nevada Gold) is located 6.5 miles due west of Battle Mountain, in the Battle Mountain Mining District, Lander and Humboldt Counties, Nevada. The property consists of 1,346 acres (2.1 square miles) on BLM-administered lands.

Timberline originally acquired the project in 2010 through acquisition of Staccato Gold who controlled the project as a non-core asset along with the flagship Eureka Project. Staccato controlled the project through an earn-in joint venture (JV) agreement with Lac Minerals (LAC), a subsidiary of Nevada Gold. Timberline acted as operator of the project through November 2013 maintaining a 72% interest in the project, with Nevada Gold holding the remaining interest.

Historical exploration demonstrated that gold mineralization is present on the property in a style of mineralization currently being mined at Newmont's Fortitude/Phoenix complex to the south. Recent analysis of historical data led to recognition that the property has porphyry copper-gold characteristics similar to Newmont's nearby historical Copper Basin mine.

Although Timberline controlled the project, as a non-core asset no exploration was completed between 2010 and December, 2013. In December of 2013, Timberline entered into an agreement with Americas Gold Exploration, Inc. (AGEI) to continue exploration at the project. Under the terms of the agreement, AGEI could earn up to 76.6% ownership in the property by making certain exploration expenditures over a four-year period. AGEI also assumed the role as operator of the joint venture.

On August 14, 2018 Timberline finalized the re-acquisition of the property, since renamed Paiute by AGEI, along with the contiguous Elder Creek property as part of a two-property acquisition from AGEI. Timberline has re-assumed the operator's position in the underlying property, which is now referred to as the Paiute Project. Current ownership of the property is 75.4% Timberline, 24.6% LAC.

The underlying ICBM JV with LAC is an earn-in agreement and as a result of previous qualifying expenditures by Timberline, AGEI and previous owners, Timberline currently controls 75.4% ownership of the project. Terms of the continued earn-in are as follows:

- No mandatory work commitments are required
- As operator, Timberline proposes work budgets with a 30-day option for pro-rata participation by LAC.
- If LAC chooses to not participate, ownership dilutes on a pro-rata basis of $300,000 earn-in for 60% of the project.
- If dilution reaches 10% or less, LAC converts to a 2% NSR.

On November 28, 2018 the Company announced completion of a NI43-101 Technical Report on the Paiute copper-gold project. The report provides a comprehensive description of the project.

The Paiute project has no known reserves, as defined under Guide 7, and the proposed program for the property is exploratory in nature.

Exploration and Mining History

The Paiute project shares much exploration history with the Elder Creek project (see above) as they are contiguous in location. However, as unique to Paiute, Battle Mountain Gold Company and its predecessors held the Paiute property through the early 1990's and drilled nine reverse circulation holes within the current claim block. A best intercept of 100 feet (30.5 m) with 925 ppb gold was noted in their drilling.

LAC relocated the claims in late 1992 and conducted basic field work in 1993 that included geologic mapping, rock and soil sampling, and ground magnetics. In late 1994 they completed a nine-hole reverse circulation drilling program to test the main soil anomalies on the property. One drill hole reported 20 feet (6.1 m) of 0.038 opt gold from 20 to 40 feet (6.1 - 12.2 m) that was associated with a narrow vein-like structure in the Harmony Formation.

Pathfinder Exploration joint ventured the property from LAC in early 1995 and completed infill mapping and sampling and target definition. First pass drilling intersected a 200 (61 m) foot zone of 411 ppb gold in drill hole ICBM-95-1 within a quartz-actinolite-sulfide veined granodiorite stock or sill. Follow-up reverse circulation drilling by Pathfinder in 1996 was highlighted by hole 96-5 which intersected sericitized, chloritized, amphibole-rich monzonite/granodiorite porphyry with secondary biotite from 450-490 feet (137.1 – 179.8m). Mineralization within the last 15.1 feet (4.6 m) of the hole averaged 0.035 oz/t Au (1.24 g/t) and was accompanied by increased silicification and sulfides (chalcopyrite, pyrite, arsenopyrite).

Petrographic work by Larson (1996) identified silicified, sulfidic (pyrite, chalcopyrite), quartz/calcite veined quartz monzonite porphyry, Cambrian sandstone/quartzite (Harmony Formation) and diabase lithologies, along with a skarn dominant monzonite or granodiorite porphyry with "significant percentages of pyrite, chalcopyrite, and chalcocite".

To date, no historical or current resource estimates have been reported at the Paiute project.

Geology of the Paiute Project Area

In the Paiute project area, the Dewitt Thrust fault places Ordovician Valmy Formation cherts and shales on top of Cambrian Harmony Formation quartz- and feldspathic-sandstones and shales, which are locally calcareous. The Harmony Formation is intruded by seven Cretaceous to Tertiary age intrusives which include granodiorite porphyry, porphyritic leucogranite, porphyritic hornblende-biotite monzogranite, granodiorite, biotite-hornblende monzogranite, megacryst porphyry, and monzogranite porphyry. The oldest intrusive is Devonian or Ordovican diabase that is exposed in the southwest part of the project and surrounding area.

At Paiute, the granodiorites and quartz monzonites intruded as high-level plugs, stocks, dikes and sills. Thermal metamorphism associated with the intrusions produced hornfels, quartzite and skarn in the Harmony Formation sediments. Hydrothermal alteration associated with the intrusions consists of argillization, silicification, quartz veining/stockwork that is accompanied by zones of hydrous iron oxides as fracture fillings, disseminations, and occasional gossans. Chlorite + actinolite occurs locally within quartz veins and may represent retrograde metamorphism. Quartz veining occurs throughout the project area and increases in intensity within the alteration zones.

A series of en echelon structures and sub-parallel faults define a strong N 10-20° E - striking structural zone through the central part of the property that extends approximately 16,500 feet in length and up to 1,500 feet in width. This fault zone is well defined by field mapping and is the dominant northeast trending feature. Secondary northwest and north striking faults cut the

northeast-striking structures. Locally, the structures are occupied by granodiorite porphyry dikes. The structures are typically altered and mineralized.

1,283 soil samples and 301 rock samples have been collected by historical explorers in the Paiute project area and analyzed for 14-elements. Copper, gold, arsenic and bismuth trace element anomalies in soils and rocks occur along the N10-20°E structural zone. A north-northwesterly (N20°W)-trending zone of elevated copper and gold occurs where increased fracturing and actinolitic alteration of the rocks is spatially associated with intrusives near Pathfinder drill-hole 96-5.

Garwin (2014) described the major styles of mineralization in the Paiute area as calc-alkaline, porphyry copper-gold, and gold-bearing structurally controlled vein systems. The main gold mineralized zone on the property is coincident with the N10-20°E structural zone.

Where the rock is not oxidized, fresh disseminated and vein pyrite is pervasive throughout the Paiute project area. Pyrite is the most abundant sulfide and occurs within the bleached zones coincident with alteration and structural zones. Pyrrhotite is nearly as abundant as pyrite and occurs both within and adjacent to alteration and structural zones. Arsenopyrite appears to be closely related to alteration and occurs only within the alteration zones.

2018-2019 Timberline Exploration

Exploration expenditures for FY 2018 were limited to geological field reviews, rock grab sampling and assays to characterize surface mineral showings. In addition, an application was submitted to the BLM with receipt thereafter of an approved Notice of Intent (NOI) to allow disturbance related to construction of drill roads and pads. The BLM approved the application and the property is fully permitted for road construction and drilling. FY2019 work continued data compilation and review in preparation for drilling planned for FY2020.

Seven Troughs District

During the year ended September 30, 2012, we announced the acquisition from CIT Microprobe Holdings, LLC (California Institute of Technology) ("CIT") of CIT's interest in 3,900 acres (6.1 square miles) of patented and unpatented mining claims comprising the majority of the Seven Troughs gold mining district near Lovelock, Nevada. Our acquired interest is primarily as lessee under the terms of 50-year lease, where the lessor is now a defunct company, originally executed in 1975. Terms of the purchase agreement included a cash payment of $50,000 and a 2-percent NSR production royalty reserved to CIT. We have the option to purchase one-half of the NSR production royalty for $1 million.

Seven Troughs is an epithermal gold district recognized as yielding some of the highest gold production grades in Nevada history through small-scale operations in the early 20th century. We believe the district has the potential to host a large precious metals system similar to the high-grade gold and silver veins of Japan's world-renowned Hishikari epithermal gold mine.

We are under no obligation to make exploration expenditures at Seven Troughs. Since acquiring the property, we have initiated the compilation of historical mine workings data and completed limited geologic mapping, geochemical sampling, and spectrophotometry survey within the district. During 2014, the historical mine workings have been compiled into an electronic 3-D model. Exploration activity during 2015 was restricted to target development based on geologic data collected and compiled in 2014. Drilling is on hold until adequate available capital exists to fund a program.

As of September 30, 2019, we do not consider Seven Troughs to be a material property, and no material expenditures are planned at this time.

Wolfpack Gold Properties

With the acquisition of Wolfpack Gold ("WPG"), we acquired nine mineral properties in Nevada and one in California. We conducted a due diligence review on each property, including organization of the historical data and review of exploration work completed to-date. As of September 30, 2019, only claims on one property have been retained, as they are contiguous with our Eureka project.

In 2017, we sold our property and royalty interests in various unpatented claims that were under lease to Pershing Gold. In addition, we sold various other royalty interests that WPG had retained through previous transactions in four other properties.

As of September 30, 2019, we do not consider the remaining Wolfpack property to be a material property, and no material expenditures are planned at this time.

Summary

We believe the global economic environment and monetary climate continue to favor a relatively steady gold and copper price for the foreseeable future with potential for long-term price improvements. While volatility is to be expected, our expectation is that we can identify and pursue opportunities to advance our projects, despite the current gold price and market volatility.

As a company, we are considering financing and strategic corporate opportunities with our focus on providing for the advancement of projects comprising our Lookout Mountain, Elder Creek and Paiute properties, and other property interests we may acquire. In addition, we believe that with appropriate funding, the Windfall project at our Eureka property can be advanced through drill testing on targets defined this year. Further potential will be developed with the advancement of new targets at Oswego. We believe that our management and our board of directors have the knowledge and experience to evaluate financing and strategic opportunities and to provide for the advancement of multiple projects

Overview of Regulatory, Economic and Environmental Issues

Hard rock mining and drilling in the United States is a closely regulated industrial activity. Mining and drilling operations are subject to review and approval by a wide variety of agencies at the federal, state, and local level. Each level of government requires applications for permits to conduct operations. The approval process always involves consideration of many issues including but not limited to air pollution, water use and discharge, noise issues, and wildlife impacts. Mining operations involve preparation of environmental impact studies that examine the probable effect of the proposed site development. Federal agencies that may be involved include: The USFS, BLM, EPA, NIOSH, MSHA, and FWS. Individual states also have various environmental regulatory bodies, such as Departments of Ecology and Departments of Environmental Quality. Local authorities, usually counties, also have control over mining activity.

Gold, silver, and copper are mined in a wide variety of ways, both in open pit and underground mines. Open-pit mines require the gold deposit to be relatively close to the surface. These deposits tend to be low grade (such as 0.01-0.03 ounces per ton gold) and are mined using large, costly earth moving equipment, usually at very high tonnages per day.

Open-pit operations for gold often involve heap leaching as a metallurgical method to remove the gold. Heap leaching involves stacking the ore on pads which are lined with an impenetrable surface, then sprinkling the gold with a weak cyanide solution to extract the gold. The gold impregnated solution is collected and the gold recovered through further processing.

Underground metal mines generally involve higher-grade ore bodies. Less tonnage is mined underground, and generally the higher-grade ore is processed in a mill or other refining facility. This process results in the accumulation of waste by-products from the processing of the ground ore. Mills require associated tailings ponds to capture waste by-products and treat water used in the milling process.

Capital costs for mine, mill, and tailings pond construction can, depending upon the size of the operation, run into the hundreds of millions of dollars. These costs are factored into the profitability of a mining operation. Metal mining is sensitive to both cost considerations and to the value of the metal produced. Metals prices are set on a world-wide market and are not controlled by the operators of the mine. Changes in currency values or exchange rates can also impact metals prices. Changes in metals prices or operating costs can have a huge impact on the economic viability of a mining operation.

Environmental protection and remediation is an increasingly important part of mineral economics. Estimated future costs of reclamation or restoration of mined land are based principally on legal and regulatory requirements. Reclamation of affected areas after mining operations may cost millions of dollars. Often governmental permitting agencies are requiring multi-million-dollar bonds from mining companies prior to granting permits, to ensure that reclamation takes place. All environmental mitigation tends to decrease profitability of the mining operation, but these expenses are recognized as a cost of doing business by modern mining and exploration companies.

Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. We conduct our operations so as to protect the public health and environment and believe our operations are in compliance with applicable laws and regulations in all material respects. We have made, and expect to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures.

Every mining activity has an environmental impact. In order for a proposed mining project to be granted the required governmental permits, mining companies are required to present proposed plans for mitigating this impact. In the United States, where our properties are located, no mine can operate without obtaining a number of permits. These permits address the social, economic, and environmental impacts of the operation and include numerous opportunities for public involvement and comment.

We intend to focus on exploration and discovery of mineral resources. If we are successful, the ore bodies discovered will be attractive to production companies, or we will potentially bring the ore bodies to production ourselves. The mining industry, like agriculture, is a fundamental component of modern industrial society, and minerals of all sorts are needed to maintain our way of life. If we are successful in finding an economic ore body, be it gold, silver or copper, sufficient value is expected to be created to reward our shareholders and allow for all production and reclamation expenses to be paid ourselves or by the actual producer to whom we convey, assign, or joint venture the project.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any material pending legal proceedings, and no such proceedings are known to be contemplated.

No director, officer, or affiliate of Timberline and no owner of record or beneficial owner of more than 5.0% 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 4. MINE SAFETY DISCLOSURES

Pursuant to Section 1503(a) of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (The "Dodd-Frank Act"), 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. During the fiscal year ended September 30, 2019, our U.S. exploration properties were not 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").

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is quoted on the OTCQB under the trading symbol "TLRS". Our common stock also trades on the TSX Venture Exchange ("TSX-V") in Canada under the trading symbol "TBR". Our common stock was listed and traded on the NYSE MKT exchange under the trading symbol "TLR" until February 15, 2016 when we voluntarily de-listed from the NYSE MKT and began trading on the OTCQB market on February 16, 2016. The high and low sale prices for our common stock as quoted on the NYSE MKT and the TSX-V, and the high and low bid prices on the OTCQB were as follows:

	NYSE MKT / OTCQB(US$)		TSX-V (CDN$)	
Period[(1)]	High	Low	High	Low
2019				
First Quarter	$0.13	$0.06	$0.12	$0.08
Second Quarter	$0.08	$0.03	$0.11	$0.08
Third Quarter	$0.11	$0.06	$0.13	$0.10
Fourth Quarter	$0.10	$0.06	$0.11	$0.09
2018				
First Quarter	$0.25	$0.13	$0.30	$0.17
Second Quarter	$0.15	$0.06	$0.21	$0.08
Third Quarter	$0.15	$0.07	$0.19	$0.10
Fourth Quarter	$0.11	$0.01	$0.13	$0.07
2017				
First Quarter	$0.52	$0.21	$0.65	$0.32
Second Quarter	$0.51	$0.36	$0.69	$0.43
Third Quarter	$0.43	$0.29	$0.51	$0.36
Fourth Quarter	$0.32	$0.21	$0.41	$0.28

(1) Quarters indicate calendar year quarters.

The quotations on the OTCQB reflect inter-dealer prices without retail mark-up, mark-down, or commission and may not reflect actual transactions.

On December 31, 2019, the closing sale price for our common stock was USD$0.07 on the OTCQB and CDN$0.095 on December 31, 2019 on the TSX-V.

As of January 10, 2020, we had 74,895,260 shares of common stock issued and outstanding and approximately 800 registered shareholders. In many cases, shares are registered through intermediaries, making the precise number of shareholders difficult to obtain.

Dividend Policy

We anticipate that we will retain any earnings to support operations and to finance the growth and development of our business. Therefore, we do not expect to pay cash dividends in the foreseeable future. Any further determination to pay cash dividends will be at the discretion of our board of directors and will be dependent on the financial condition, operating results, capital requirements, and other factors that our board deems relevant. We have never declared a dividend.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Stock Incentive Plans

In February 2005, our Board adopted the 2005 Stock Incentive Plan, which was approved by a vote of shareholders at our Annual Meeting of Shareholders on September 23, 2005. This plan authorized the granting of up to 62,500 non-qualified stock options to our officers, directors, and consultants.

On August 31, 2006, our Board of Directors approved an amendment to the Timberline Resources Corporation 2005 Equity Incentive Plan (the "Amended 2005 Plan") for the purposes of increasing the total number of shares of common stock that may be issued pursuant to Awards granted under the original 2005 plan from 62,500 shares to 229,167 shares and allowing "Ten Percent Shareholders" (as defined in the Amended 2005 Plan) to participate in the plan on the same basis of any other participant. The Amended 2005 Plan was approved by a vote of shareholders at our Annual Meeting of Shareholders on September 22, 2006.

On August 22, 2008, our shareholders approved a proposal for the increase in the total number of shares of common stock that may be issued pursuant to awards granted under the original 2005 plan as previously amended. Following the increase, the plan provided for 583,334 shares of common stock for awards under the plan.

On May 28, 2010, our shareholders approved a proposal for the increase in the total number of shares of common stock that may be issued pursuant to awards granted under the original 2005 plan as previously amended. Following the increase, the plan provides for 833,334 shares of common stock for awards under the plan.

All share amounts included in this section have been revised to reflect a one-for-twelve reverse stock split that was approved by our stockholders and implemented on October 31, 2014.

On August 24, 2015, our Board of Directors approved the 2015 Stock and Incentive Plan, subject to our Stockholders' approval. The purpose of the 2015 Stock and Incentive Plan is to promote our interests and our Stockholders' interests by aiding us in attracting and retaining employees, officers, consultants, advisors and non-employee directors capable of ensuring the future success of our Company. On September 24, 2015, our stockholders approved the adoption of the Company's 2015 Stock and Incentive Plan in which the Company's executive officers and directors are participants. This plan replaces our 2005 Equity Incentive Plan, as amended. The aggregate number of shares that may be issued under all stock-based awards made under the 2015 Stock and Incentive Plan is 4 million shares of our common stock.

On December 1, 2018, shareholders approved the new 2018 Incentive Plan. The 2018 Incentive Plan replaced our 2015 Stock and Incentive Plan. Concurrent with the approval of the 2018 Incentive Plan, the 2015 Stock and Incentive Plan was withdrawn for the purposes of issuing new options or equity incentives. There are 8,000,000 Timberline Shares issuable under the 2018 Incentive Plan.

Equity Compensation Plans

The following summary information is presented as of September 30, 2019.

	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	**Weighted-average exercise price of outstanding options, warrants, and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders[(1)]	3,280,000[(1)]	$0.26	968,837
Equity compensation plans not approved by security holders	Not applicable	Not applicable	Not applicable
TOTAL	3,280,000[(1)]	$0.26	968,837

(1) See "Stock Incentive Plans," above.

There were no options exercised during the years ended September 30, 2019 and September 30, 2018.

Sale of Unregistered Securities

All unregistered sales of equity securities during the period covered by this Annual Report were previously disclosed in our current reports on Form 8-K and our Quarterly Reports on Form 10-Q.

ITEM 6. SELECTED FINANCIAL DATA

Not Applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under "Risk Factors and Uncertainties" and elsewhere in this document. ***See "Cautionary Note Regarding Forward-Looking Statements" above.***

Overview

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 a mineral exploration company. We advanced our business plan with the acquisition of a drilling services company in 2006, the acquisition of Butte Highlands in 2007, and the acquisition of Staccato Gold Resources Ltd. in 2010. Prior to commencing our operations in 2004, the purchase of Timberline Drilling (formerly known as Kettle Drilling), and a more active and focused exploration division, the Company had no reported revenues and accumulated losses.

During 2014, we advanced our business plan with the acquisition of Wolfpack Gold (Nevada) Corp., and we have continued to focus our business model on mineral exploration and development, with future revenues and cash flows, if any, to be derived from any future mineral production.

On March 12, 2015, we entered into a property option agreement with Gunpoint Exploration Ltd. ("Gunpoint"), which closed on March 31, 2015. Gunpoint granted us an exclusive and irrevocable option ("Option") to purchase a 100% interest in Gunpoint's Talapoosa project in western Nevada. Pursuant to the agreement, we had the right to exercise the Option at any time beginning on March 31, 2015 and ending within thirty (30) months of March 12, 2015, unless sooner terminated. We completed a positive Preliminary Economic Assessment ("PEA") on the Talapoosa project. On October 19, 2016, we amended the terms of the Option agreement (the "Amended Agreement") with Gunpoint. The Amended Agreement still granted us an exclusive and irrevocable option ("Option") to purchase a 100% interest in the Property in western Nevada. Pursuant to the Amended Agreement, we had the right to exercise the Option through March 31, 2018 ("Amended Option Period"), subject to certain interim payments and cumulative project expenditures. On March 31, 2017, we paid the Talapoosa option payment of $1 million, and on April 13, 2017, we issued 1 million common shares, both of which were interim payments due to a subsidiary of Gunpoint pursuant to our option agreement to acquire a 100% interest in the Talapoosa project in western Nevada. We did not make the required payment of $2 million nor issue the one million common shares of the Company by March 31, 2018, as required by the Amended Agreement, and, therefore, the Amended Agreement was terminated per its terms on March 31, 2018. We have no future plans or obligations related to the Talapoosa project.

On May 26, 2016, the Company entered into three loan and securities purchase agreements (collectively, the "Loan Agreements") whereby the Company agreed to issue certain unsecured promissory notes (collectively, the "Notes") in the aggregate amount of $57,200. One Note was issued in favor of Steven Osterberg (the "Osterberg Note"), the Company's President & Chief Executive Officer, one Note in favor of Robert Martinez (the "Martinez Note"), a member of the Company's Board of Directors, and one Note in favor of Randal Hardy (the "Hardy Note"), an advisor to the Company. The Osterberg Note had an original principal amount of $22,000, the Martinez Note had an original principal amount of $13,200 and the Hardy Note had an original principal amount of $22,000. Each Note did not bear interest but was subject to an original issue discount equal to 9.1% of the principal amount of such Note. Each Note was unsecured, and matured on May 31, 2016. The issuance of the Notes was approved by a majority of the disinterested members of the Company's Board of Directors on May 20, 2016.

Exploration Plans and Budgets

Our exploration focus during fiscal 2020 is on the Elder Creek, Paiute and Lookout Mountain projects.

Elder Creek Project:

Management considered the initial drilling and geophysical program results at Elder Creek to be encouraging and to validate the presence of a large porphyry copper-type mineral system. Additional follow-up drilling has been completed in late 2019; the drilling intersected strong visible host-rock alteration and iron-copper-and molybdenum mineralization including:

- ***Valmy Cu-Oxide Target:*** Drill holes RCEC18-01, 19-02, 19-03, and 19-04 intersected mineralization including 0.22% Cu over 185 ft (56.4 m) to 0.44% Cu over 110 ft (33.5 m) within heterolithic breccia.
- ***Primary Copper Porphyry Breccia Target***: Drill hole RCEC 19-05 intersected porphyry-style Cu-Au-Ag mineralization including 305 feet (ft) (93 meters (m)) from 250-555 ft (76.2-169.2m) @ 0.25% Cu, 0.083 g/t Au, and 9 g/t Ag. The drill hole bottomed in Cu mineralization at a total depth of 555 ft (169.2 m).

Paiute Project:

Subsequent to the end of FY2019, two drill holes have been completed at the Paiute Project. Drill hole PCRC19-01 targeted the gold-silver structural zone and was drilled to a depth of 665ft (202.7 m) and intercepted highly silicified Harmony Formation and Tertiary granodiorite intrusive. Hole PCRC19-02 was drilled as a twin to historical hole ICBM96-05 which bottomed at 585 ft (178.4m) in 15.1 ft (4.6m) @ 1.24 g/t Au and visible copper sulfides. The twin hole was drilled to 710 ft (216.5 m) and intercepted interlayered silicified hornfels and Tertiary granodiorite intrusive. Both drill holes intercepted notable gold mineralization as summarized below:

Drill Hole	From (feet)	To (feet)	Total* (feet)	From (meters)	To (meters)	Total (meters)	Au (g/t)	Au (oz/ton)
PCRC 19-01	295	320	25	89.9	97.6	7.6	0.270	0.008
	340	420	80	103.7	128.0	24.4	0.442	0.013
	510	520	10	155.5	158.5	3.0	0.395	0.012
				0.0	0.0	0.0		0.000
PCRC 19-02	0	40	40	0.0	12.2	12.2	0.616	0.018
	110	140	30	33.5	42.7	9.1	0.488	0.014
	150	230	80	45.7	70.1	24.4	0.514	0.015
Including	*190*	*215*	*25*	*57.9*	*65.5*	*7.6*	*1.123*	*0.033*
	280	390	110	85.4	118.9	33.5	0.359	0.010
	490	500	10	149.4	152.4	3.0	0.511	0.015
	555	600	45	169.2	182.9	13.7	0.198	0.006
	610	710	100	186.0	216.5	30.5	0.305	0.009

Our exploration plans and budgets for 2020 are dependent upon the availability of capital.

Lookout Mountain Gold Project:

Exploration planned for FY2020 at Lookout Mountain will be conducted by Lookout Mountain LLC, an LLC formed with PM&G for the exploration and advancement of the Lookout Mountain property, and is budgeted for $3,000,000. Exploration will be focused on drilling to test continuity of stratiform and structural (fault)-defined high-grade mineralized zones. In addition, step-out reverse circulation drilling will test for shallow oxide gold mineralization to the immediate north of the historical pit and will also test to expand high grade mineralization east of the pit.

Results of Operations for Years Ended September 30, 2019 and 2018

Consolidated Results

	Year Ended September 30, 2019	2018
Exploration expenses:		
Eureka/Lookout Mountain	$ 721,914	$ 494,724
Talapoosa	-	27,416
Other exploration properties	199	158
Total exploration expenditures	$ 722,113	$ 522,298
Non-cash expenses:		
Abandonment of Talapoosa & other mineral properties	$ 48,500	$ 3,231,700
Stock option and stock issuance expense	5,000	231,000
Depreciation, amortization, and accretion	108,152	14,980
Total non-cash expenses	$ 161,652	$ 3,477,680
Operating Expense:		
Salaries and benefits	$ 174,811	$ 464,380
Professional fees expense	267,100	147,401
Other general and administrative expenses	246,708	473,329
Interest and other (income) expense, net	84,899	(27,294)
Income tax provision (benefit)	-	-
Net loss	$ 1,657,283	$ 5,057,794

Our consolidated net loss for the fiscal year ended September 30, 2019 declined significantly from the prior year, primarily as a result of the non-cash costs in fiscal year 2018 related to the abandonment of the Talapoosa property, which were partially offset by a much smaller abandonment of claims in fiscal 2019. Stock issuance and option expenses were lower in 2019 than 2018, primarily due to the issuance of stock options to existing and newly appointed officers and directors in 2018. We increased our exploration expenditures in 2019, as a result of drilling programs at our Elder Creek and Paiute properties and higher land holding costs due in part to higher annual federal and county fees to hold unpatented mining claims. Professional fees expenses were higher, and salaries were lower in 2019 than 2018, primarily due to the transition of our Chief Financial Officer position from an internal employee to an external independent contractor firm. We expect to continue to maintain a low level of general and administrative expenses, while focusing our resources on the advancement of our Lookout Mountain, Elder Creek and Paiute projects in the fiscal year ending September 30, 2020.

Financial Condition and Liquidity

At September 30, 2019, we had assets of $15,505,141, consisting of cash in the amount of $30,757; property, mineral rights and equipment, net of depreciation, of $15,023,843, reclamation bonds of $305,184, and other assets in the amount of $145,357.

On September 30, 2019, we had total liabilities of $1,123,229 and total assets of $15,505,141. This compares to total liabilities of $740,421 and total assets of $15,394,921on September 30, 2018. As of September 30, 2019, our liabilities consist of $168,619 for asset retirement obligations, $630,788 of senior unsecured notes payable, and $323,822 of trade payables and accrued liabilities. Of these liabilities, $376,792 are due within 12 months. The increase in liabilities compared to September 30, 2018 is largely due to the senior unsecured note payables as we borrowed additional funds during fiscal 2019. This increase in liabilities was affected positively or negatively by individual small changes in other components of liabilities. The increase in total current assets was due to an increase in a receivable from a related company as we remit expenses on that company's behalf in anticipation of it receiving funding, which occurred subsequent to the end of the fiscal year, offset by an decrease in cash and prepaid expenses as a result of payment of exploration and operating expenses for the year ended September 30, 2019.

On September 30, 2019, we had negative working capital of $206,378 and stockholders' equity of $14,381,912 compared to negative working capital of $29,077 and stockholders' equity of $14,654,500 for the year ended September 30, 2018. Working capital experienced an unfavorable change because of a decrease in cash and prepaid expenses, payments against the payment obligation and payroll, benefits and taxes, offset by an increase in an account receivable and accrued expenses.

During the fiscal year ended September 30, 2019, we used cash from operating activities of $1,449,177, compared to $1,618,235 used for fiscal 2018. A net loss of $1,657,283 for fiscal 2019 compared to a net loss of $5,057,794 for fiscal 2018. The causal factors are disclosed above in the comparative table. At the end of fiscal 2019, we have accumulated approximately $46.4 million and $17.9 million in federal and state net operating losses, respectively, which may enable us to generate like

amounts in net income prior to incurring any significant income tax obligation. The net operating losses will expire in various amounts from 2020 through 2039.

During the fiscal years ended September 30, 2019, cash of $30,076 was provided by investment activities, compared with cash used of $8,756 in fiscal 2018. We paid $72,715 to purchase mineral properties, while receiving $102,791 for lease payments to us for company-owned mineral properties. During fiscal 2018, we paid $199,500 to purchase mineral properties and $22,158 to increase reclamation bonds, while receiving $100,000 from the sale of mineral properties and $112,902 for lease payments to us for company-owned mineral properties.

During the fiscal year ended September 30, 2019, cash of $1,339,122 was provided by financing activities, compared to cash of $1,670,573 provided during the fiscal year ended September 30, 2018. For the fiscal year ended September 30, 2019, cash of $1,109,395 was provided through the sale of stock and warrants, net of offering costs, $250,000 was provided from a senior unsecured note payable and associated warrants, reduced by $20,273 paid on the payment obligation. This compares to cash of $1,421,767 provided through the sale of stock and warrants, net of offering costs, $300,000 was provided from a senior unsecured note payable and associated warrants, reduced by $51,194 paid on the payment obligation for the fiscal year ended September 30, 2018.

On July 28, 2019, in connection with the Lookout Mountain LLC Agreement, the Company issued 3,367,441 shares of common stock at a price of $0.08 to PM&G for cash proceeds to the Company of $269,395. No warrants were issued with this share purchase.

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. In addition, commodity prices and mining equities have seen significant volatility which increases the risk to precious metal investors. Market disruptions and alternative investment options, 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, corporate transactions, credit facilities or debenture issuances in order to continue as a going concern.

At September 30, 2019, we had a working capital deficit of $206,378. As of the date of this Annual Report on Form 10-K, we have approximately $746,000 outstanding in current liabilities and a cash balance of approximately $31,000. As of the date of this Annual Report on Form 10-K, we do not anticipate that we will be able to continue as a going concern for the next 12 months without receiving significant additional financing. Therefore, we expect to engage in financial transactions to increase our cash balance or decrease our cash obligations in the near term, which may include equity financings, corporate transactions, joint venture agreements, sales of assets, credit facilities or debenture issuances, or other strategic transactions.

The audit opinion and notes that accompany our consolidated financial statements for the year ended September 30, 2019 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 have incurred losses since our inception. We do not have sufficient cash to fund normal operations and meet all of our obligations for the next 12 months without deferring payment on certain current liabilities and/or raising additional funds. The consolidated financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern. We believe that the going concern condition cannot be removed with confidence until the Company has entered into a business climate where funding of its activities is more assured. If the going concern basis were 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.

We recognize that we will not be able to execute our operating plans with our current cash balances. With our current cash balance, our anticipated ability to acquire additional capital by way of asset sales and/or financing transactions, and our ability to curtail discretionary exploration expenditures as needed; however, we believe that we will be able to generate sufficient working capital to meet our ongoing, non-discretionary operating expenses for the next 12 months and maintain our primary mineral properties. We recognize that additional capital will be required shortly and may be obtained through financing transactions such as asset sales, corporate transactions, equity investments, joint ventures, debt facilities, or other types of strategic arrangements.

We plan, as funding allows, to follow up on our positive drill results on our Elder Creek and Paiute prospects. We also plan to execute drilling as part of the exploration program at Lookout Mountain as part of an LLC Agreement with funding provided

by PM&G. Also, subject to available capital, we may continue prudent exploration programs on our material exploration properties and/or fund some exploratory activities on early-stage properties. Our current working capital is not sufficient to meet our currently planned exploration costs and general corporate and administrative expenses for the next 12 months, and we will require additional funding and/or reductions in exploration and administrative expenditures.

Given current market conditions, we cannot provide assurance that necessary financing transactions will be available on terms acceptable to us, or at all. Without additional financing, we would have to further curtail our exploration and other expenditures while we seek alternative funding arrangements to provide sufficient capital to meet our ongoing, non-discretionary expenditures for the next 12 months and maintain our primary mineral properties. If we cannot obtain sufficient additional financing, we may be unable to make required property payments on a timely basis and be forced to return some or all of our leased or optioned properties to the underlying owners.

Financing activities

Private Placements:

On July 28, 2019, in connection with the Lookout Mountain LLC Agreement, we issued 3,367,441 shares of common stock at a price of $0.08 to PM&G for cash proceeds to the Company of $269,395. No warrants were issued with this share purchase.

On June 14, 2019, we closed the sale of 1,000,000 Units, the second tranche of a private placement offering of up to 7,500,000 Units of the Company at a price of $0.08 per Unit, for total proceeds of $80,000. Each Unit of the offering consists of one share of our common stock and one common share purchase Class H warrant, with each warrant exercisable to acquire an additional share of our common stock at a price of $0.14 per share until March 30, 2022. As a result, 1,000,000 shares of our common stock and 1,000,000 Warrants were issued.

On March 29, 2019, we closed the sale of 2,000,000 Units, the first tranche of a private placement offering of up to 7,500,000 Units of the Company at a price of $0.08 per Unit, for total proceeds of $160,000. Each Unit of the offering consists of one share of our common stock and one common share purchase Class H warrant, with each warrant exercisable to acquire an additional share of our common stock at a price of $0.14 per share until March 30, 2022. As a result, 2,000,000 shares of our common stock and 2,000,000 Warrants were issued.

On October 18, 2018, and on December 3, 2018, we closed two tranches of a private placement offering of 7,500,000 Units of the Company at a price of $0.08 per Unit for net proceeds of $600,000. Each Unit in the offering consisted of one share of our common stock and one Class E Warrant, with each warrant exercisable to acquire an additional share of our common stock at a price of $0.14 per share until the warrant expiration date of October 29, 2021.

In the aggregate for these two private placements, we sold a total of 10,380,867 Units at prices of $0.30 per unit (for 2,880,867 units) and $0.08 per unit (for 7,500,000 units) for gross proceeds of $1,464,260 and net cash proceeds of $1,421,767, after offering costs of $42,493.

The private placement offering was completed under Rule 506(b) of Regulation D promulgated by the SEC under the Securities Act of 1933, as amended, solely to persons who qualified as accredited investors. Subscribers who were resident in Canada were required to qualify as accredited investors under Canadian National Instrument 45-106 Prospectus Exemptions.

Senior Unsecured Note Payable:

On May 8, 2019, we entered into an additional binding loan agreement and promissory note with William Matlack (the "Lender"). Under the loan agreement, the Lender loaned the Company $250,000 in the form of a senior unsecured note, with the principal bearing interest at an annual rate of 18%, compounded monthly. The loan is unsecured and the principal and accrued interest will become due for repayment on November 7, 2020, but may be repaid early without penalty.

Pursuant to the terms of the May 8, 2019 loan agreement, we issued to the Lender 3,543,600 non-transferrable Series I Warrants to purchase our common shares. The exercise price of the warrants is $0.07, with a term of eighteen months, and the warrants contain a provision restricting their exercise in the event any such exercise would cause the Lender to own 10% or more of the Company's outstanding common shares. The relative fair value of the warrants issued in connection with the senior unsecured note was estimated at $94,300, based upon a total fair value as calculated by a Black-Scholes option-pricing model. The relative fair value of the warrants was recorded as a discount of the note, with $21,666 amortized to interest expense in the year ended September 30, 2019. At September 30, 2019, the note payable was $177,366, net of the unamortized discount of $72,634.

	Warrants Issued During the Year Ended September 30, 2019
Expected volatility	138.5%
Stock price on date of loan	$0.07
Exercise price	$0.07
Expected dividends	-
Expected term (in years)	1.5
Risk-free rate	2.26%
Expected forfeiture rate	0%

The Senior unsecured notes payable are senior to all other debt with the exception of the Payment obligation. The notes require that when the Company enters into any other financings, 25% of the proceeds of such financings will be paid toward reduction of the principal and interest accrued on these notes. No such payments have been made by the Company to the Lender, and the Lender has provided a waiver of default on the Notes that would otherwise exist due to these non-payments.

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 our consolidated financial statements contained in Item 8 of this Annual Report for a complete summary of the significant accounting policies used in the presentation of our financial statements. As described in Note 2, 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 and the fair value of equity instruments, including common shares and warrants, issued for 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 adjustment to the value assigned to mineral properties.

We review the carrying value of long-lived assets 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 its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment or abandonment 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 asset 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 in association with our Eureka Property. 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

ITEM 8. FINANCIAL STATEMENTS

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2019 and 2018

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Timberline Resources Corporation and Subsidiaries

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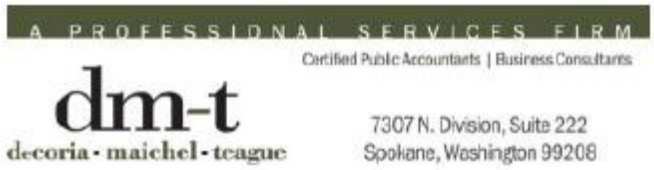

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Timberline Resources Corporation

Opinion on the Consolidated Financial Statements
We have audited the accompanying consolidated balance sheets of Timberline Resources Corporation (the "Company") as of September 30, 2019 and 2018, the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern
The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has accumulated losses since inception and negative working capital. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion
These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DeCoria, Maichel & Teague P.S.

DeCoria, Maichel & Teague P.S.
We have served as the Company's independent auditor since 2006.
Spokane, Washington

January 10, 2020

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 2019	September 30, 2018
ASSETS		
CURRENT ASSETS:		
Cash	$ 30,757	$ 110,736
Prepaid expenses and other current assets	21,132	44,782
Account receivable	118,525	-
TOTAL CURRENT ASSETS	170,414	155,518
PROPERTY, MINERAL RIGHTS, AND EQUIPMENT, net (NOTE 3)	15,023,843	14,926,417
OTHER ASSETS:		
Reclamation bonds	305,184	307,286
Deposits and other assets	5,700	5,700
TOTAL OTHER ASSETS	310,884	312,986
TOTAL ASSETS	$ 15,505,141	$ 15,394,921
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 103,485	$ 110,134
Accrued expenses	196,299	42,166
Accrued payroll, benefits and taxes	24,038	32,295
Payment obligation, current	52,970	-
TOTAL CURRENT LIABILITIES	376,792	184,595
LONG-TERM LIABILITIES:		
Asset retirement obligation	168,619	160,588
Payment obligation, noncurrent	125,563	198,806
Senior unsecured note payable – net of discount (NOTE 6)	452,255	196,432
TOTAL LONG-TERM LIABILITIES	746,437	555,826
TOTAL LIABILITIES	1,123,229	740,421
COMMITMENTS AND CONTINGENCIES (NOTES 3, 5 and 11)	-	-
STOCKHOLDERS' EQUITY: (NOTE 9)		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.001 par value; 200,000,000 shares authorized, 67,395,260 and 53,527,819 shares issued and outstanding, respectively	67,395	53,528
Additional paid-in capital	74,568,258	73,197,430
Accumulated deficit	(60,253,741)	(58,596,458)
TOTAL STOCKHOLDERS' EQUITY	14,381,912	14,654,500
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 15,505,141	$ 15,394,921

See accompanying notes to consolidated financial statements.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended September 30, 2019	Year ended September 30, 2018
OPERATING EXPENSES:		
Mineral exploration	$ 722,113	$ 522,298
Abandonment of mineral rights	48,500	3,231,700
Salaries and benefits	174,811	464,380
Professional fees	272,100	147,401
Insurance	92,474	92,562
Other general and administrative	154,234	626,747
TOTAL OPERATING EXPENSES	1,464,232	5,085,088
LOSS FROM OPERATIONS	(1,464,232)	(5,085,088)
OTHER INCOME (EXPENSE):		
Foreign exchange gain (loss) and other	(51)	(2,480)
Interest expense	(9,436)	(18,134)
Interest expense – related party	(183,564)	(16,725)
Miscellaneous other income	-	64,633
TOTAL OTHER INCOME (EXPENSE)	(193,051)	27,294
LOSS BEFORE INCOME TAXES	(1,657,283)	(5,057,794)
INCOME TAX PROVISION (BENEFIT)	-	-
NET LOSS	$ (1,657,283)	$ (5,057,794)
NET LOSS PER SHARE, BASIC AND DILUTED	$ (0.03)	$ (0.13)
WEIGHTED-AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	62,482,406	39,437,019

See accompanying notes to consolidated financial statements.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance, September 30, 2017	**33,146,952**	**$ 33,147**	**$ 70,408,144**	**$ (53,538,664)**	**$ 16,902,627**
Common stock and warrants issued for cash	10,380,867	10,381	1,453,879	-	1,464,260
Issuance costs	-	-	(42,493)	-	(42,493)
Common stock and warrants issued to purchase mineral rights	10,000,000	10,000	1,036,000	-	1,046,000
Stock based compensation	-	-	231,000	-	231,000
Warrants issued with debt	-	-	110,900	-	110,900
Net loss	-	-	-	(5,057,794)	(5,057,794)
Balance, September 30, 2018	**53,527,819**	**$ 53,528**	**$ 73,197,430**	**$ (58,596,458)**	**$ 14,654,500**
Common stock and warrants issued for cash	13,867,441	13,867	1,095,528	-	1,109,395
Stock based compensation	-	-	5,000	-	5,000
Warrants issued to AGEI for joint venture	-	-	176,000	-	176,000
Warrants issued with debt	-	-	94,300	-	94,300
Net loss	-	-	-	(1,657,283)	(1,657,283)
Balance, September 30, 2019	**67,395,260**	**$ 67,395**	**$ 74,568,258**	**$ (60,253,741)**	**$ 14,381,912**

See accompanying notes to consolidated financial statements.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,657,283)	$ (5,057,794)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock-based compensation	5,000	231,000
Abandonment of mineral rights	48,500	3,231,700
Accretion of asset retirement obligation	8,031	7,648
Amortization of discount on senior unsecured notes payable	100,121	7,332
Changes in assets and liabilities:		
Prepaid expenses and other current assets	23,650	(24,066)
Reclamation bonds	2,102	4,050
Account receivable	(118,525)	2,633
Accounts payable	(6,649)	454
Accrued expenses	154,133	32,243
Accrued payroll, benefits, and taxes	(8,257)	(53,435)
Net cash used by operating activities	(1,449,177)	(1,618,235)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of mineral rights	(72,715)	(99,500)
Proceeds from sale of mineral rights - ICBM (Note 3)	-	100,000
Proceeds from lease of mineral rights	102,791	112,902
Increases to reclamation and road use bond	-	(22,158)
Investment in mineral rights - Elder Creek (Note 3)	-	(100,000)
Net cash (used) provided by investing activities	30,076	(8,756)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock and warrants, net	1,109,395	1,421,767
Cash paid on payment obligation	(20,273)	(51,194)
Proceeds from senior unsecured note payable	250,000	300,000
Net cash provided by financing activities	1,339,122	1,670,573
Net increase (decrease) in cash and cash equivalents	(79,979)	43,582
CASH AT BEGINNING OF YEAR	110,736	67,154
CASH AT END OF YEAR	$ 30,757	$ 110,736
CASH PAID FOR INTEREST	$ 13,562	12,019
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Common stock and warrants issued for purchase of joint ventures	$ -	$ 1,046,000
Warrants issued for mineral rights	$ 176,000	$ -
Warrants issued with senior unsecured notes payable	$ 94,300	$ 110,900

See accompanying notes to consolidated financial statements.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS:

Timberline Resources Corporation ("Timberline" or "the Company") 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, the Company reincorporated into the State of Delaware, pursuant to a merger agreement approved by its shareholders.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. *Basis of Presentation and going concern* – This summary of significant accounting policies is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the financial statements.

   The accompanying consolidated financial statements have been prepared under the assumption that the Company will continue as a going concern. The Company has incurred losses since its inception. The Company does not have sufficient cash to fund normal operations and meet all of its obligations for the next 12 months without raising additional funds. The Company currently has no historical recurring source of revenue, and its ability to continue as a going concern is dependent on its ability to raise capital to fund future exploration and working capital requirements, or the Company's ability to profitably execute its business plan. The Company's plans for the long-term return to and continuation as a going concern include financing its future operations through sales of common stock and/or debt and the eventual profitable exploitation of its mining properties. 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. These factors raise substantial doubt about the Company's ability to continue as a going concern.

   The consolidated financial statements 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 were 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.

b. *New Accounting Pronouncements* - In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 Revenue Recognition. The new ASU establishes a new five step principles-based framework in an effort to significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. In August 2015, the FASB issued ASU No. 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. ASU No. 2015-14 deferred the effective date of ASU No. 2014-09 until annual and interim reporting periods beginning after December 15, 2017. The Company elected to early adopt ASU No. 2014-09 as of October 1, 2017 using the modified-retrospective transition approach.

   The Company performed an assessment of the impact of implementation of ASU No. 2014-09, and concluded it did not change the timing of revenue recognition or amounts of revenue recognized compared to how it recognized revenue under its previous policies. Adoption of ASU No. 2014-09 requires additional disclosures, where applicable, on (i) contracts with customers, (ii) significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and the transaction price, and (iii) assets recognized for costs to obtain or fulfill contracts. As the Company has no contracts that relate to recognizing revenue, the new standard had minimal effect on the Company's financial statements.

   In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). The update modifies the classification criteria and requires lessees to recognize the assets and liabilities on the balance sheet for most leases. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the potential impact of implementing this update on the consolidated financial statements.

   In January 2017, the FASB issued ASU No. 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The Company adopted the update on October 1, 2018 and will apply the provisions of the update to potential future acquisitions.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

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

In June 2018, the FASB issued ASU No. 2018-07, Compensation-Stock Compensation, Improvements to Nonemployee Share-Based Payment Accounting. ASU No. 2018-07 expands the scope of to include share-based payment transactions for acquiring goods and services from nonemployees. The update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the impact of this update on its consolidated financial statements and related disclosures.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

c. *Principles of Consolidation* – The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Staccato Gold Resources, Ltd.; BH Minerals USA, Inc.; Wolfpack Gold (Nevada) Corp.; and Talapoosa Development Corp., after elimination of intercompany accounts and transactions.

d. *Exploration Expenditures* – All exploration expenditures are expensed as incurred. Significant property acquisition payments for active exploration properties are capitalized. If no mineable ore body is discovered, previously capitalized costs are expensed in the period the property is abandoned. When it is determined that a mineral deposit can be economically developed as a result of establishing proven and probable reserves, the costs incurred after such determination will be capitalized and amortized over their useful lives. To date, the Company has not established the commercial feasibility of its exploration prospects; therefore, all exploration costs are being expensed.

e. *Property Holding Costs* – Holding costs to maintain a property, excluding mineral lease payments, are expensed in the period they are incurred. These costs include security and maintenance expenses, claim fees and payments, and environmental monitoring and reporting costs.

f. *Fair Value* – When required to measure assets or liabilities at fair value, the Company uses a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used. The Company determines the level within the fair value hierarchy in which the fair value measurements in their entirety fall. The categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Level 1 uses quoted prices in active markets for identical assets or liabilities, Level 2 uses significant other observable inputs, and Level 3 uses significant unobservable inputs. The amount of the total gains or losses for the period are included in earnings that are attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at the reporting date.

At September 30, 2019 and 2018, the Company had no assets or liabilities accounted for at fair value on a recurring basis or nonrecurring basis. The carrying amounts of financial instruments, including senior unsecured notes payable and the payment obligation, approximate fair value at September 30, 2019 and 2018.

g. *Cash Equivalents* – For the purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Balances are insured by the Federal Deposit Insurance Corporation up to $250,000 for accounts at each financial institution.

h. *Reclamation Bonds* – Bonds paid to assure reclamation of properties covered by exploration permits are capitalized in the period paid, reduced as refunds are received or expensed as they are applied to reclamation obligations.

i. *Estimates and Assumptions* – The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management assumptions and estimates relate to long-lived asset impairments, asset retirement obligations, and stock-based compensation. Actual results could differ from these estimates and assumptions and could have a material effect on the Company's reported financial position and results of operations.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

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

j. *Accounting for Investments in Joint Ventures* - For joint ventures in which the Company does not have joint control or significant influence, the cost method is used. Under the cost method, these investments are carried at cost and assessed for impairment when conditions warrant. For those joint ventures in which there is joint control between the parties and in which the Company has significant influence, the equity method is utilized whereby the Company's share of the venture's earnings and losses is included in the statement of operations as earnings in joint ventures and its investments therein are adjusted by a similar amount.

The Company recognizes as income, funds received that are distributed from net accumulated earnings of the joint venture. For joint ventures where the Company holds more than 50% of the voting interest and has significant influence, the joint venture is consolidated with the presentation of a non-controlling interest. In determining whether significant influence exists, the Company considers its participation in policy-making decisions and its representation on the venture's management committee. The Company has no significant influence over its joint ventures, and therefore accounts for its investment using the cost method.

The Company periodically assesses its investments in joint ventures for impairment. If management determines that a decline in fair value is other than temporary it will write-down the investment and charge the impairment against operations.

k. *Property and Equipment* – Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which ranges from two to seven years. Maintenance and repairs are charged to operations as incurred. Significant improvements are capitalized and depreciated over the useful life of the assets. Gains or losses on disposition or retirement of property and equipment are recognized in operating expenses.

l. *Carrying Value of Property, Mineral Rights and Equipment for Impairment* – The Company reviews the carrying value of property, mineral rights, and 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 its 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 related assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, the effects of obsolescence, demand, competition, and other economic factors.

m. *Asset Retirement Obligations* – The Company accounts for asset retirement obligations by following the methodology for accounting for estimated reclamation and abandonment costs as prescribed by GAAP. 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 and a contractual obligation exists. 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 estimate underlying the obligation. The Company has an asset retirement obligation associated with its exploration program at the Lookout Mountain exploration project on its Eureka property (see Note 7).

n. *Provision for Income Taxes* – Income taxes are provided based upon the liability method of accounting. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against the deferred tax asset, if management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized (see Note 8).

o. *Translation of Foreign Currencies* – All amounts in the financial statements are presented in US dollars, and the US dollar is the Company's functional currency. The Company has a Canadian subsidiary, but this subsidiary has no operations, assets, or liabilities in Canada for the years ended September 30, 2019 and 2018, respectively. The US-based operations of the Company incur certain expenses in Canada, and the foreign translation and transaction gains and losses relating to such expenses incurred in Canada have been included in the Company's net loss as a component of other income (expense).

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

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

p. Stock-based Compensation – The Company estimates the fair value of its stock-based option compensation using the Black-Scholes model, which requires the input of some subjective assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them ("expected life"), the estimated volatility of the Company's common stock price over the expected term ("volatility"), employee forfeiture rate, the risk-free interest rate and the dividend yield. Changes in the subjective assumptions can materially affect the estimate of fair value of stock-based compensation.

The value of common stock awards is determined based upon the closing price of the Company's stock on the grant date of the award. Compensation expense for grants that vest is recognized ratably over the vesting period. The fair value of stock unit or stock awards is determined by the closing price of the Company's common stock on the date of the grant.

q, Net Income (Loss) per Share – Basic earnings per share ("EPS") is computed as net income (loss) available to common shareholders 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 as of September 30, 2019 and 2018 is as follows:

	2019	2018
Stock options	3,280,000	3,280,000
Warrants	45,689,967	36,646,373
Total potential dilution	48,969,967	39,926,373

At September 30, 2019 and 2018, the effect of the Company's common stock equivalents would have been anti-dilutive.

NOTE 3 – PROPERTY, MINERAL RIGHTS, AND EQUIPMENT:

The following is a summary of property, mineral rights, and equipment and accumulated depreciation at September 30, 2019 and 2018:

	Expected Useful Lives (years)	2019	2018
Mineral rights – Eureka	-	$ 13,703,651	$ 13,678,940
Mineral rights – Elder Creek	-	1,218,715	1,146,000
Mineral rights – Other	-	50,000	50,000
Total mineral rights		14,972,366	14,874,940
Equipment and vehicles	2-5	53,678	53,678
Office equipment and furniture	3-7	70,150	70,150
Land	-	51,477	51,477
Total property and equipment		175,305	175,305
Less accumulated depreciation		(123,828)	(123,828)
Property, mineral rights, and equipment, net		$ 15,023,843	$ 14,926,417

Depreciation expense for the years ended September 30, 2019 and 2018, was nil and nil, respectively.

During the year ended September 30, 2019, the Company recognized an abandonment expense of $48,500 relating to two patented mining claims that the Company had ceased making advance royalty payments on.

During the year ended September 30, 2018, per an amended agreement, the Company was required to pay $2 million and issue one million common shares of the Company by March 31, 2018 to maintain its interest in the Talapoosa property. The Company did not make the payment of $2 million nor issue the one million common shares of the Company by March 31, 2018, and, therefore, the amended agreement was terminated per its terms on March 31, 2018. As a result, on March 31, 2018, the Company wrote off the Company's entire investment of $3,231,700.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 3 – PROPERTY, MINERAL RIGHTS, AND EQUIPMENT, (continued):

During the year ended September 30, 2018, the Company's management and Board of Directors determined that certain payments received by the Company from a third party in two of the Company's leases beginning in August 2017, which had been held and not recorded or deposited pending an expected resolution of circumstances relating to two historical leases at the Company's Eureka property, should be deposited. The total amount of these payments received for the year ended September 30, 2019 and September 30, 2018 was $102,791 and $112,902, respectively. Monthly payments in the amount of $8,500 are expected to continue to be received, recorded and deposited until the situation concerning the leases is resolved. These receipts are recorded as a reduction to property, mineral rights, and equipment.

Elder Creek property:

On May 23, 2018, the Company executed a definitive agreement with AGEI (the "Definitive Agreement") for the purchase of interests in two mineral properties in Nevada (the "Transaction"). The mineral properties include the Elder Creek project, currently owned by McEwen Mining Inc., which includes an option to acquire up to 65% of the project interest, and an approximate 73.7% interest in the Paiute property (formerly ICBM), with LAC Minerals (USA) LLC, a wholly owned subsidiary of Nevada Gold Corporation. The Company is the operator at both of these projects.

The consideration for the Transaction consisted of ten million shares of the Company's common stock, valued at $0.0806 per share, or $806,000, and five million non-transferrable Class D-2 share purchase warrants (the "Consideration Warrants"), with each warrant exercisable to acquire one share of the Company's common stock for $0.24 for a period of three years. The warrants were fair valued at $240,000. (See Note 11 – Commitments & Contingencies)

In addition, the amendment to the Definitive Agreement required the Company to deliver to AGEI, subject to any required regulatory approval, an additional 5,000,000 common stock purchase warrants with the same terms and in the same form as the Consideration Warrants if and when the earlier of the following occurs: (i) the Company enters into an arrangement with a funding partner for the advancement of the Elder Creek Joint Venture, or (ii) the Company meets the 2018 work commitment of $500,000. The Company met the 2018 calendar year's work commitment, and issued 5,000,000 Class G warrants, fair valued at $176,000 on December 31, 2018.

The fair value of the warrants issued in connection with the purchase of mineral rights was estimated with a Black-Scholes option-pricing model using the assumptions noted in the following table:

	Warrants Issued September 30, 2019	**Warrants Issued September 30, 2018**
Expected volatility	137.40%	130.70%
Stock price on date of grant	$0.06	$0.08
Exercise price	$0.14	$0.24
Expected dividends	-	-
Expected term (in years)	3	3
Risk-free rate	2.46%	2.67%
Expected forfeiture rate	0%	0%

Lookout Mountain, LLC:

On May 9, 2019, the Company entered into a non-binding Letter of Intent to form a Limited Liability Company (the "Agreement") with PM&Gold Mines, Inc. ("PM&G") for the advanced exploration, and if determined feasible, the development of the Company's Lookout Mountain Gold project. A final Agreement received regulatory approval from the TSX Venture Exchange on July 27, 2019. PM&G is a private firm incorporated in Nevada with an interest to explore and advance gold projects to production. The parties executed a binding definitive Limited Liability Company Agreement (the "LLC" and the "LLC Agreement") effective June 28, 2019 following completion of business and technical due diligence.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 3 – PROPERTY, MINERAL RIGHTS, AND EQUIPMENT, (continued):

The LLC Agreement calls for PM&G to fund exploration and development activities in two stages for an earned equity in the project. Timberline will contribute certain claims that constitute the Lookout Mountain project and adjacent historical Oswego Mine area (the "Project") to the limited liability company in exchange for its ownership position. Timberline will manage the project at least through Stage I of investment. PM&G shall retain the right to manage all Stage II activities with or without Timberline's participation.

Concurrent with completion of the Agreement, PM&G also participated in a private placement and acquired 3,367,441 shares, or 4.99%, of Timberline's common shares. The placement includes the right of PM&G to maintain its position in Timberline by pro-rata participation in future financings. The initial interests in the LLC are 51% PM&G and 49% Timberline. The Company accounts for its investment in the LLC on the cost basis. PM&G's contribution to the LLC must be earned-in as follows:

Stage I – Earn 51%: PM&G will earn 51% of the Project in consideration of incurring exploration expenditures of $6 million dollars, $3 million in year one and another $3 million in year two, to be directed towards advance of the low-grade oxide and high-grade oxide and refractory mineralization over a two-year period. The primary focus of the expenditure will seek to identify any near-term production potential (oxide/high-grade mineralization). This exploration will also test expansion of both high-grade and oxide mineralization outside the defined resource. The plan and effort have been developed and agreed upon through a joint Management Committee appointed by the Company and PM&G.

Stage II – Earn 70%: PM&G will earn a 70% interest in the Project when a bankable feasibility study is completed. PM&G would fund tasks at its sole expense to support the feasibility study including initiating permitting, metallurgical studies, trade-off studies, and other technical work deemed reasonable and appropriate, along with annual holding fees if Stage I has been completed. Work towards the feasibility study will be completed within 3 years of completing Stage I or as mutually agreed upon by both companies. To ensure the Project continues to advance, the Technical Committee will prepare an annual budget to implement prudent and appropriate activities.

Timberline Option to Participate 51- 49%: When the $6 million expenditure is reached (Stage I), Timberline has the option to participate in subsequent expenditures at the 49% level. Should Timberline determine to participate, all future costs incurred to bring the Project to production will be split on a pro-rata basis.

If Timberline should choose not to participate, its ownership will be further diluted and PM&G will earn 70% ownership by completing the above activities defined as Stage II.

Timberline Option to Participate 70 – 30%: At the end of Stage II, Timberline may elect to participate in subsequent expenditures at the 30% level or may elect one of the following options:

- Reduce its interest to a 10% net profit interest ("NPI") or a 2% net smelter royalty ("NSR"), or
- Sell its remaining interest in the Project to PM&G at a price agreed between the parties following completion and evaluation of Stage I and Stage II exploration, per terms of the Mutual Right of First Refusal ("ROFR") defined below.

If PM&G determines not to advance beyond the 51% following completion of Stage I, it may elect one of the following options:

- Participate at the 51 percent level or be diluted to a 30 percent interest by TLRS completing the Stage II activities as defined above or
- Reduce its interest to a 10% NPI or a 2% NSR payable in gold, or
- Sell its remaining interest in the Project to Timberline at a price agreed between the parties following completion and evaluation of Stage I exploration, per terms of the Mutual ROFR defined below.

Mutual Right of First Refusal (ROFR) – The Agreement will include a mutual ROFR wherein either JV partner may acquire the other partner's interest at fair market value or as mutually agreed. Both partners will have a right to exercise the ROFR should either receive a 3rd party offer.

During the fourth fiscal quarter of 2019, Timberline paid $118,525 for Stage I exploration costs incurred by Lookout Mountain LLC. The advanced funds were included as an Account receivable on the Company's balance sheet and were fully collected subsequent to the end of the fiscal year. The Company does not intend to continue such advances in the future on behalf of PM&G.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 4 – RELATED-PARTY TRANSACTIONS:

In connection with the definitive agreement with AGEI for the purchase of interests in two mineral properties, Mr. Donald J. McDowell and Mr. Dave Mathewson were appointed to the Company's Board of Directors on June 21, 2018. Mr. McDowell is the majority owner of AGEI and is the beneficial owner of the majority of the consideration for the Transaction. Therefore, he is the beneficial owner of the majority of the 5,000,000 Class G warrants issued to AGEI as described in *Note 3 – Property, Mineral Rights and Equipment.*

During the year ended September 30, 2019, the Board of Directors agreed to issue 100,000 stock options to acquire shares of common stock of the Company to Mr. Ted R. Sharp, the Company's Chief Financial Officer, appointed to the position in September of 2018. The options were fair valued at $5,000 based upon the closing price of the Company's shares of common stock at December 31, 2018 (See Note 10 for valuation assumptions).

During the year ended September 30, 2019, two executive officers participated in a private placement offering of Units of the Company, purchasing 1,062,500 units for total proceeds of $85,000. Each Unit was priced at $0.08 and consisted of one share of common stock of the Company and one common share Class E Warrant, with each warrant exercisable to acquire an additional share of common stock of the Company at a price of $0.14 per share until April 30, 2021.

During the quarters ended March 31, 2019 and June 30, 2019, three executive officers participated in private placement offerings of Units of the Company, purchasing 1,100,000 units for total proceeds of $88,000. Each Unit was priced at $0.08 and consisted of one share of common stock of the Company and one common share Class H Warrant, with each warrant exercisable to acquire an additional share of common stock of the Company at a price of $0.14 per share until March 22, 2022. The participation of the executive officers of the Company in these private placements was done at the same terms as the other investors in the private placement offerings. The Board of Directors approved the insiders' participation in the private placements.

NOTE 5 – PAYMENT OBLIGATION:

On September 12, 2017, the Company entered into an agreement (the "Payment Agreement") with a creditor (the "Creditor") to pay by way of a payment plan an existing obligation of $250,000 (the "Payment Obligation") related to a potential corporate transaction in 2015 that was not completed. Pursuant to the Payment Agreement, the Company agreed to pay the Payment Obligation to the Creditor, including interest, on or before September 12, 2020. Interest accrues on the unpaid principal amount of the Payment Obligation at the prime rate (5.00% at September 30, 2019), as such rate may change from time to time, plus 3% per annum. The Company agreed to pay the Creditor 5% of the gross proceeds of any funds raised, whether though equity sales, debt offerings, or sales of assets.

If the gross proceeds of any equity financing are at least $1 million, then the Company agreed to also commence monthly installment payments of $10,000 until the Payment Obligation is paid. The balance of the Payment Obligation was $178,533 and $198,806 at September 30, 2019 and 2018, respectively.

During the year ended September 30, 2019, the Company paid $30,000 including interest of $9,728. At September 30, 2019, an additional cash payment of $52,970 is due to the Creditor, representing 5% of thee private placements of $80,000, $160,000 and $269,395 respectively and 5% on the two Senior unsecured notes payable totaling $550,000. That payment when made will be applied first to accrued interest payable and then to principal due under the Payment Agreement.

On December 30, 2019, the Company entered into Addendum 1 to the Payment Agreement under which Creditor has agreed to waive a default condition in consideration of a $5,000 fee and a payment of $12,500 relating to the second Senior unsecured note of $250,000. Payment of the remaining $40,470 of delinquent amounts will be paid from the next equity or debt raise in addition to any 5% fee due thereon. The obligation to commence monthly installment payments of $10,000 until the Payment Obligation is paid has not yet been triggered because the Company has not completed a financing with gross proceeds of at least $1 million.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 6 – SENIOR UNSECURED NOTES PAYABLE:

On July 30, 2018, the Company entered into a binding loan agreement and promissory note with William Matlack, a significant shareholder and a director as of October 29, 2019, (the "Lender"). Under the loan agreement, the Lender loaned the Company $300,000 in the form of a senior unsecured note, with the principal bearing interest at an annual rate of 18%, compounded monthly. The loan is unsecured and the principal and accrued interest will become due for repayment on January 20, 2020, but may be repaid early without penalty. Pursuant to the terms of the loan agreement, the Company issued to the Lender 3,265,500 non-transferrable Series F Warrants to purchase common shares of the Company. The exercise price of the warrants is $0.09, and the warrants contain a provision restricting their exercise in the event any such exercise would cause the Lender to own 10% or more of the Company's outstanding common shares. The relative fair value of the warrants issued in connection with the senior unsecured note was estimated at $110,900, based upon a total fair value as calculated by a Black-Scholes option-pricing model. The relative fair value of the warrants was recorded as a discount of the note. At September 30, 2019, the note payable was $274,889, which is net of the unamortized discount of $25,111.

On October 4, 2019, the Company entered into an agreement with the note holder to extend the due date of the note for a period of three years to mature on January 20, 2023 on the same terms as the original note. The Series F Warrants were cancelled and replaced with 3,750,000 warrants of a new series designation with expiration at February 1, 2023 and an exercise price of $0.08, the fair value at the date of issuance. As a result of the extension of the due date, this note has been included in long-term debt on the Company's consolidated balance sheet.

On May 8, 2019, the Company entered into an additional binding loan agreement and promissory note with William Matlack (the "Lender"). Under the loan agreement, the Lender loaned the Company $250,000 in the form of a senior unsecured note, with the principal bearing interest at an annual rate of 18%, compounded monthly. The loan is unsecured and the principal and accrued interest will become due for repayment on November 7, 2020, but may be repaid early without penalty.

Pursuant to the terms of the May 8, 2019 loan agreement, the Company issued to the Lender 3,543,600 non-transferrable Series I Warrants to purchase common shares of the Company. The exercise price of the warrants is $0.07, with a term of eighteen months, and the warrants contain a provision restricting their exercise in the event any such exercise would cause the Lender to own 10% or more of the Company's outstanding common shares.

The relative fair value of the warrants issued in connection with the senior unsecured note was estimated at $94,300, based upon a total fair value as calculated by a Black-Scholes option-pricing model. The relative fair value of the warrants was recorded as a discount of the note, with $21,666 amortized to interest expense in the year ended September 30, 2019. At September 30, 2019, the note payable was $177,366, which is net of the unamortized discount of $72,634.

	Warrants Issued During the Year Ended September 30, 2019	Warrants Issued During the Year Ended September 30, 2018
Expected volatility	138.5%	132.4%
Stock price on date of the note	$0.07	$0.09
Exercise price	$0.07	$0.24
Expected dividends	-	-
Expected term (in years)	1.5	1.5
Risk-free rate	2.26%	2.66%
Expected forfeiture rate	0%	0%

The amortization of discounts was $100,121 and $7,332 for the years ended September 30, 2019 and 2018, respectively. The accrued interest on the senior unsecured notes payable was $83,107 and $5,346 at the years ended September 30, 2019 and 2018, respectively.

The senior unsecured notes payable are senior to all other debt with the exception of the Payment obligation. The notes require that when the Company enters into any other financings, 25% of the proceeds of such financings will be paid toward reduction of the principal and interest accrued on these notes. No such payments have been made by the Company to the Lender, and the Lender has provided a waiver of default on the Notes that would otherwise exist due to these non-payments.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 7 – ASSET RETIREMENT OBLIGATION:

The Company has established an asset retirement obligation ("ARO") for its exploration program at the Lookout Mountain Project, which is a portion of the Eureka mineral property. The ARO resulted from the reclamation and remediation requirements of the United States Bureau of Land Management as outlined in its permit to carry out the exploration program.

The following table summarizes activity in the Company's ARO liability for the years ended September 30, 2019 and 2018:

	2019	2018
Beginning balance	$ 160,588	$ 152,940
Accretion expense	8,031	7,648
Ending balance	$ 168,619	$ 160,588

NOTE 8 – INCOME TAXES:

At September 30, 2019 and 2018, the Company did not record a tax provision or benefit. At September 30, 2019 and 2018, the Company had deferred tax assets arising principally from net operating loss carryforwards for income tax purposes. As the Company's management cannot determine that it is more likely than not that the Company will realize the benefit of the net deferred tax asset, a valuation allowance equal to 100% of the net deferred tax asset has been recorded at September 30, 2019 and 2018.

The components of the Company's deferred taxes at September 30, 2019 and 2018 are as follows:

Timberline Resources Corp.	2019	2018
Net deferred tax assets:		
Exploration costs	$ 32,000	$ 218,000
Investments in subsidiaries	184,000	184,000
Share-based compensation	1,452,000	1,451,000
Alternative minimum tax credit carryforwards	2,000	2,000
Foreign income tax credit carryforwards	697,000	697,000
Federal and state net operating loss carryforwards	10,792,000	10,579,000
Foreign net operating loss carryforwards	1,736,000	1,736,000
Total deferred tax asset	14,895,000	14,867,000
Valuation allowance	(14,895,000)	(14,867,000)
Net deferred tax asset	$ -	$ -
BH Minerals USA, Inc.		
Net deferred tax assets (liabilities):		
Property, mineral rights, and equipment	$ (2,290,000)	$ (2,282,000)
Exploration costs	572,000	810,000
Federal and state net operating loss carryforwards	3,597,000	3,302,000
Total deferred tax asset	1,879,000	1,830,000
Valuation allowance	(1,879,000)	(1,830,000)
Net deferred tax asset	$ -	$ -

The federal income taxes of the Company's wholly owned subsidiary, BH Minerals USA, Inc., are not consolidated with those of the rest of the Company since BH Minerals USA, Inc. is wholly owned by the Company's Canadian subsidiary, Staccato Gold Resources Ltd.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 8 – INCOME TAXES (continued):

The annual tax benefit is different from the amount that would be provided by applying the statutory federal income tax rate to the Company's pretax loss for the following reasons:

	2019	2018
Net Loss	$ (1,657,000)	$ (5,058,000)
Statutory Federal income tax rate	24.5%	24.5%
Expected income tax benefit based on statutory rate	(406,000)	(1,239,000)
Effect of state taxes	56,000	(47,000)
Effect of tax rate changes	-	8,237,000
Non-recognition due to increase in valuation allowance	77,000	(6,976,000)
Prior year change in estimates	273,000	25,000
Income tax provision	$ -	$ -

At September 30, 2019, the Company had federal net operating loss carryforwards of approximately $44.8 million which will expire in fiscal years ending September 30, 2020 through September 30, 2038. The Company also has federal net operating loss carryforwards of $2.3 million that will not expire and are subject to the 80% of taxable income limitation. Approximately $18.2 million of state net operating loss carryforwards will expire in fiscal years ending September 30, 2020 through September 30, 2039.

BH Minerals has federal net operating loss carryforwards of $16.9 million which will expire in fiscal years ending September 30, 2031 through September 30, 2038. The Company also has federal net operating loss carryforwards of $1.3 million that will not expire and are subject to the 80% of taxable income limitation. At September 30, 2019, the Company also has approximately $6.7 million in net operating loss carryforwards in Canada which will expire in fiscal years ending September 30, 2024 through September 30, 2032. At September 30, 2019, the Company has $697,000 of foreign tax credit carryforwards that will expire September 30, 2020.

The Company has not identified any unrecognized tax benefits. If interest and penalties were to be assessed, the Company would charge interest to interest expense, and penalties to other operating expense. Fiscal years 2016 through 2019 remain subject to examination by state and federal tax authorities. The Company has reviewed its tax returns and believes the Company has not taken any unsubstantiated tax positions.

IRS Code Section 382 limits the loss and credit carryforwards in the event of an "ownership change" of a corporation. Due to the changes in ownership in previous years, the Company will be restricted in the future use of net operating losses generated before the ownership change.

NOTE 9 – COMMON STOCK, WARRANTS AND PREFERRED STOCK:

Private Placement

On July 28, 2019, in connection with the Lookout Mountain LLC Agreement, the Company issued 3,367,441 shares of common stock at a price of $0.08 to PM&G for cash proceeds to the Company of $269,395. No warrants were issued with this share purchase.

On June 14, 2019, the Company closed the sale of 1,000,000 Units, the second tranche of a private placement offering of up to 7,500,000 Units of the Company at a price of $0.08 per Unit, for total proceeds of $80,000. Each Unit of the offering consists of one share of common stock of the Company and one common share purchase Class H warrant, with each warrant exercisable to acquire an additional share of common stock of the Company at a price of $0.14 per share until March 30, 2022. As a result, 1,000,000 shares of the Company's common stock and 1,000,000 Warrants were issued.

On March 29, 2019, the Company closed the sale of 2,000,000 Units, the first tranche of a private placement offering of up to 7,500,000 Units of the Company at a price of $0.08 per Unit, for total proceeds of $160,000. Each Unit of the offering consists of one share of common stock of the Company and one common share purchase Class H warrant, with each warrant exercisable to acquire an additional share of common stock of the Company at a price of $0.14 per share until March 30, 2022. As a result, 2,000,000 shares of the Company's common stock and 2,000,000 Warrants were issued.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 9 – COMMON STOCK, WARRANTS AND PREFERRED STOCK, (continued):

On October 18, 2018, and on December 3, 2018, the Company closed two tranches of a private placement offering of 7,500,000 Units of the Company at a price of $0.08 per Unit for net proceeds of $600,000. Each Unit in the offering consisted of one share of common stock of the Company and one Class E Warrant, with each warrant exercisable to acquire an additional share of common stock of the Company at a price of $0.14 per share until the warrant expiration date of October 29, 2021.

In the aggregate for these two private placements, the Company sold a total of 10,380,867 Units at prices of $0.30 per unit (for 2,880,867 units) and $0.08 per unit (for 7,500,000 units) for gross proceeds of $1,464,260 and net cash proceeds of $1,421,767, after offering costs of $42,493.

Warrants

During the fiscal year ended September 30, 2019, 10,300,000 warrants were issued pursuant to two separate private placement offerings. In addition, 3,543,600 warrants were issued pursuant to a senior unsecured debt financing (See Note 6), and 5,000,000 warrants were issued pursuant to the purchase of mineral rights (See Note 3 and Note 6). Total warrants of 9,960,006 and nil expired during the fiscal years ended September 30, 2019 and 2018, respectively.

There were 45,689,967 and 36,606,373 warrants outstanding as of September 30, 2019 and 2018, respectively.

The following is a summary of warrants as of September 30, 2019:

	Shares	Exercise Price ($)	Expiration Date
Class A Warrants: (Issued for Private Placement)			
Outstanding and exercisable at September 30, 2017	9,960,006	0.25	May 31, 2019
Outstanding and exercisable at September 30, 2018	9,960,006		
Warrants Expired May 31, 2019	(9,960,006)		
Outstanding and exercisable at September 30, 2019	0		
Class B Warrants: (Issued for Private Placement)			
Outstanding and exercisable at September 30, 2017	8,000,000	0.40	January 31, 2020
Outstanding and exercisable at September 30,2018	8,000,000		
Outstanding and exercisable at September 30, 2019	8,000,000		
Class C Warrants: (Issued for Private Placement)			
Warrants issued November and December 2017	2,880,867	0.45	October 31, 2022
Outstanding and exercisable at September 30,2018	2,880,867		
Outstanding and exercisable at September 30, 2019	2,880,867		
Class D Warrants: (Issued for Private Placement)			
Warrants issued May 2018	7,500,000	0.14	April 30, 2021
Outstanding and exercisable at September 30,2018	7,500,000		
Outstanding and exercisable at September 30, 2019	7,500,000		
Class D-2 Warrants: (Issued for Mineral Property Purchase)			
Warrants issued May 23, 2018	5,000,000	0.24	May 23, 2021
Outstanding and exercisable at September 30, 2018	5,000,000		
Outstanding and exercisable at September 30, 2019	5,000,000		
Class F Warrants: (Issued for Unsecured Senior Note)			
Warrants Issued July 30, 2018	3,265,500	0.09	February 1, 2023
Outstanding and exercisable at September 30,2018	3,265,500		
Outstanding and exercisable at September 30, 2019	3,265,500		
Class E Warrants: (Issued for Private Placement)			
Warrants Issued November 9, 2018	7,500,000	0.14	October 21, 2021
Outstanding and exercisable at September 30, 2019	7,500,000		
Class G Warrants: (Issued for Mineral Property Purchase)			
Warrants Issued December 18, 2018	5,000,000	0.14	December 18, 2021
Outstanding and exercisable at September 30, 2019	5,000,000		
Class H Warrants: (Issued for Private Placement)			
Warrants Issued March 21, 2019	3,000,000	0.14	March 22, 2022
Outstanding and exercisable at September 30, 2019	3,000,000		
Class I Warrants: (Issued for Unsecured Note Payable)			
Warrants Issued May 8, 2019	3,543,600	0.07	November 7, 2020
Outstanding and exercisable at September 30, 2019	3,543,600		
Warrants outstanding and weighted average exercise price at September 30, 2019	45,689,967	0.21	

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 9 – COMMON STOCK, WARRANTS AND PREFERRED STOCK, (continued):

Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of preferred stock, $0.01 par value. The Company's 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. There is no preferred stock issued as of September 30, 2019.

NOTE 10 – STOCK-BASED AWARDS:

During the year ended September 30, 2015, the Company's Board of Directors adopted and the Company's stockholders approved the adoption of the Company's 2015 Stock and Incentive Plan. This plan replaced the Company's 2005 Equity Incentive Plan, as amended. The aggregate number of shares that may be issued to employees, directors, and consultants under all stock-based awards made under the 2015 Stock and Incentive Plan was 4 million shares of the Company's common stock.

Upon exercise of options or other awards, shares are issued from the available authorized shares of the Company. Option awards are granted with an exercise price equal to the fair value of the Company's stock at the date of grant.

During the year ended September 30, 2019, the Company's shareholders approved and the Company's Board of Directors adopted of the Company's 2018 Stock and Incentive Plan. This plan replaced the Company's 2015 Equity Incentive Plan. The aggregate number of shares that may be issued to employees, directors, and consultants under all stock-based awards made under the 2018 Stock and Incentive Plan is 8 million shares of the Company's common stock. Upon exercise of options or other awards, shares are issued from the available authorized shares of the Company. Option awards are granted with an exercise price equal to the fair value of the Company's stock at the date of grant.

During the year ended September 30, 2019, the Board of Directors agreed to issue 100,000 stock options to the Chief Financial Officer. The fair value of the option awards granted was $5,000 and measured on the date of the issuance with a Black-Scholes option-pricing model using the assumptions noted in the following table:

	Options Granted During the Year Ended September 30, 2019	Options Granted During the Year Ended September 30, 2018
Expected volatility	137.4%	121.6% - 134.8%
Stock price on date of grant	$ 0.06	$ 0.10 - $0.17
Exercise price	$ 0.10	$ 0.08 - $0.12
Expected dividends	-	-
Expected term (in years)	5	5
Risk-free rate	2.46%	2.33% - 2.69%
Expected forfeiture rate	0%	0%

During the year ended September 30, 2019, 100,000 options were terminated as a result of the resignation of a member of the Board of Directors. Options forfeited or expired are returned to the option pool and are available for grant. The Company considers forfeitures in connection with its estimate of expected option term.

Total compensation expense recognized for option awards was $5,000 and $231,000 for the years ended September 30, 2019 and 2018, respectively. The cost of options granted to employees is recorded as salaries and benefits, and the cost of options granted to directors and consultants is recorded as other general and administrative expenses. The total compensation cost of options vested under the plan, charged against operations, is included in the consolidated statements of operations as follows:

	Fiscal year ended September 30, 2019	2018
Salaries and benefits	$ -	$ 120,000
Other general and administrative expenses	5,000	111,000
Total	$ 5,000	$ 231,000

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 10 – STOCK-BASED AWARDS, (continued):

The following is a summary of the Company's options issued under the Amended 2005 Equity Incentive Plan, the 2015 Stock and Incentive Plan and the 2018 Stock and Incentive Plan:

	Options	Weighted Average Exercise Price
Outstanding at September 30, 2017	2,233,334	$ 0.41
Granted	1,900,000	0.16
Expired	(853,334)	(0.43)
Outstanding at September 30, 2018	3,280,000	0.26
Granted	100,000	0.10
Terminated	(100,000)	(0.10)
Outstanding and exercisable at September 30, 2019	3,280,000	$ 0.26
Weighted average fair value of options granted during the fiscal year ended September 30, 2019		$ 0.10
Average remaining contractual term of options outstanding and exercisable at September 30, 2019 (years)		3.05
Intrinsic value of options outstanding and exercisable at September 30, 2019		$ 0.00

NOTE 11 – COMMITMENTS AND CONTINGENCIES:

Mineral Exploration

In addition to the commitment relating to the Company's purchase of joint venture interests from AGEI (see Note 3), it has the following commitments and contingencies:

The Elder Creek Project is subject to certain future work expenditure requirements in order for the Company to earn an ownership portion of the property. The Year 1 work commitment was completed by December 31, 2018:

- Year 2: $500,000 work commitment by December 31, 2019 (completed subsequent to the year ended September 30, 2019)
- Year 3: $750,000 work commitment by December 31, 2020
- Year 4: $750,000 work commitment by December 31, 2021
- 65% Earn-In for an additional $2.5M work commitment for a total of $5.1M over 6 years by December 31, 2023.

A portion of the Company's mining claims on the Company's properties are subject to lease and option agreements with various terms, obligations, and royalties payable in certain circumstances.

The Company pays federal and county claim maintenance fees on unpatented claims that are included in the Company's mineral exploration properties. Should the Company continue to explore all of the Company's mineral properties, it expects annual fees to total approximately $184,906 per year in the future, of which $113,014 is for the two joint venture mineral property interests (See Note 3). The claims maintenance fees for Lookout Mountain LLC are expected to be $97,587 and will be remitted from the earn-in funds provided by PM&G as part of the LLC Agreement.

Real Estate Lease Commitments

At September 30, 2019, the Company had real estate lease commitments for its offices and certain mineral property exploration facilities totaling $72,000 annually. The Company's office in Coeur d'Alene, Idaho and its facilities in Eureka, Nevada are rented on a month-to-month basis.

Timberline Resources Corporation
Notes to the Consolidated Financial Statements

NOTE 12 – SUBSEQUENT EVENTS:

In addition to the subsequent events described in Notes 5 and 6, the Company had the following subsequent event:

On October 23, 2019, the Company closed a private placement offering of 7,500,000 Units of the Company at a price of US$0.08 per Unit, for total proceeds to the Company of $600,000. Each Unit consisted of one share of common stock of the Company and one-half common share purchase Class J warrant (each whole such warrant a "Warrant"), with each Warrant exercisable to acquire an additional share of common stock of the Company at a price of US$0.12 per share until the warrant expiration date of October 15, 2024.

Accredited investors subscribed for 7,500,000 Units on a private placement basis at a price of US$0.08 per unit for total proceeds of US$600,000. As a result, 7,500,000 shares of common stock of the Company and 3,750,000 Warrants were issued and 3,750,000 shares of common stock were reserved for issuance pursuant to Warrant exercises. A director of the Company, William Matlack, participated in the Offering and subscribed for 7,125,000 Units. The Warrants comprised in Mr. Matlack's Units contain a voluntary restriction on exercise preventing Mr. Matlack from completing any Warrant exercise if such exercise would cause him to beneficially own or control 20% or more of the issued and outstanding common shares of Timberline.

On October 29, 2019, the Company granted to directors and management stock options to acquire an aggregate of 2,450,000 common shares of the Company's common stock. The options vested immediately and are exercisable at a price of $0.08 per common share for a period of five years from the date of the grant. Also, in connection with his appointment to the Board of Directors, Mr. Matlack was granted 100,000 options to acquire shares of the Company's common stock. The options have an exercise price of $0.08 per share, vested immediately, and have a term of five years.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusions of Management Regarding Effectiveness of Disclosure Controls and Procedures

At the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out under the supervision of and with the participation of our management, including the Principal Executive Officer and the Principal Financial Officer of the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Exchange Act) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer have concluded that our disclosure controls and procedures were not effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under 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.

Disclosure controls and procedures were not effective due primarily to a material weakness in the segregation of duties in the Company's internal control of financial reporting as discussed below.

Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (including its consolidated subsidiaries) and all related information appearing in our Annual Report on Form 10-K. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
2. provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of management and/or of our Board of Directors; and
3. provide reasonable assurance regarding the prevention or timely detection of any unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the design and operation of our internal control over financial reporting as of September 30, 2019, based on the criteria in a framework developed by the Company's management pursuant to and in compliance with the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, walkthroughs of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of September 30, 2019, because management identified a material weakness in the Company's internal control over financial reporting related to the segregation of duties as described below.

While the Company does adhere to internal controls and processes that were designed and implemented by a respected, national accounting firm, it is difficult with a very limited staff to maintain appropriate segregation of duties in the initiating and recording of transactions, thereby creating a segregation of duties weakness. Due to: (i) the significance of segregation of duties to the preparation of reliable financial statements; (ii) the significance of potential misstatement that could have resulted due to the deficient controls; and (iii) the absence of sufficient other mitigating controls, we determined that this control deficiency resulted in more than a remote likelihood that a material misstatement or lack of disclosure within the annual or interim financial statements may not be prevented or detected.

Management's Remediation Initiatives

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the Company to provide only Management's report in this Annual Report.

Management has evaluated, and continues to evaluate, avenues for mitigating our internal controls weaknesses, but mitigating controls to completely mitigate internal control weaknesses have been deemed to be impractical and prohibitively costly, due to the size of our organization at the current time. Management expects to continue to use reasonable care in following and seeking improvements to effective internal control processes that have been and continue to be in use at the Company. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks.

Management's remediation initiatives include having retained the Company's Chief Financial Officer. He is well-versed in internal control environments, having implemented, documented and tested multiple control environments over the 14 years and has served as a CFO in publicly-traded companies for 18 years. The offices of Principal Executive Officer and Principal Financial Officer have remained separate. The Company has only one employee, and management has concluded that minimal staffing continues to inhibit the effectiveness of the Company's internal controls over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f)), that occurred during our fourth fiscal quarter ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

Directors and Executive Officers

The following table sets forth certain information with respect to our current directors and nominees, executive officers and key employees. The term for each director expires at our next Annual Meeting or until his or her successor is appointed and qualified. The ages of the directors and officers are shown as of January 3, 2019.

Name	Current Office	Principal Occupation	Director/Officer Since	Age
Steven Osterberg[1]	President & Chief Executive Officer and Director	President & Chief Executive Officer and Director	February 1, 2012	59
Ted R. Sharp	Chief Financial Officer, Principal Financial Officer	Chief Financial Officer, Founder and Owner of Sharp Executive Associates, Inc.	September 10, 2018	63
Leigh Freeman[2]	Director	Principal, Leigh Freeman Consultancy	January 18, 2013	71
Paul Dircksen[2]	Director	Director	September 22, 2006	74
Donald McDowell	Director	President of Americas Gold Exploration Inc.	Appointed June 21, 2018	61
David C. Mathewson[2]	Director	Geologist, Vice-President and Head of Exploration at U.S. Gold Corp	Appointed June 21, 2018	75
William Matlack	Director	Geologist, Metals and mining investment banker with Scarsdale Equities LLC	Appointed October 29, 2019	65

(1) Mr. Osterberg was appointed President and Chief Executive Officer on January 19, 2016.
(2) "Independent" in accordance with Rules 121 and 803A of the NYSE American Company Guide.

The following is a description of the business background of the directors and executive officers of Timberline Resources Corporation:

Leigh Freeman – Chairman of the Board of Directors

Mr. Freeman was appointed to the Board of Directors (the "Board) in January 2013. He has over 40 years of experience in the mining industry. At present, he is Principal with Leigh Freeman Consultancy. Mr. Freeman has served in technical, managerial and executive positions with junior and senior mining and service companies. He was a co-founder, President and Director of Orvana Minerals and also held several positions with Placer Dome. Mr. Freeman also serves on the industry advisory board for the mining programs at the University of Arizona, Montana Tech and South Dakota School of Mines. In addition, he co-chaired the Education Sustainability Committee for the Society of Mining Engineers.

For the following reasons the Board concluded that Mr. Freeman should serve as a director and Chairman of the Board of Directors of the Company, in light of its business and structure. Mr. Freeman's technical and management experience in mining and mineral exploration enables him to provide operating and management insight to the Board. Further, his training and experience as a geological engineer allow him to bring technical expertise to the Board as a director. These skills were determined by the Board to be valuable to the Board, as the Company's primary assets are exploration stage properties.

Paul Dircksen – Director

Mr. Dircksen has over 35 years of experience in the mining and exploration industry, serving in executive, managerial, and technical roles at several companies. He has been a director since January 2006 and was our Vice President of Business Development and Technical Services from January 1, 2015 through December 2016. Mr. Dircksen was our Vice President of Exploration from May 2006 to January 2012, our Executive Chairman from September 2009 to August 2014. He was our President and Chief Executive Officer from March 2011 to December 2014. Working in the United States and internationally, he has a strong technical background, serving as a team member on approximately nine gold discoveries, seven of which later became operating mines. From January 2005 to May 2006 he was self-employed as a consulting geologist until joining

Timberline Resources. Mr. Dircksen was the president of Brett Resources from January 2004 to December 2004, and prior to that, from January 2003 to December 2003, he was President of Bravo Venture Group, a junior exploration company. During 2002, he was self-employed as an independent mineral geologist. Between 1987 and 2001, Mr. Dircksen was Senior Vice-President of Exploration for Orvana Minerals Corp. He holds an M.S. in Geology from the Mackay School of Mines at the University of Nevada. Mr. Dircksen currently serves as a director of Avrupa Minerals.

For the following reasons the Board concluded that Mr. Dircksen should serve as a director of the Company, in light of its business and structure. Mr. Dircksen's extensive management experience in mineral exploration companies and background in mineral projects enable him to provide operating and leadership insights to the Board as a director. Further, his training and experience as a geologist allow him to bring technical expertise in regard to mineral exploration to the Company. These skills were determined by the Board to be valuable to the Board, as the Company's primary assets are exploration stage properties.

Donald McDowell

Mr. Donald McDowell has served as the founding President of Americas Gold Exploration Inc. since October 2008. He was the President of Great American Minerals Inc. from January 2000 to October 2008. Mr. McDowell is a mineral exploration executive with over 25 years of business, mineral exploration, and development experience with a specific focus on the Great Basin in Nevada. Mr. McDowell's experience includes 17 years with major corporations including Nippon Mining of Japan, Santa Fe Pacific Gold and Kennecott Exploration, where he was involved in exploration, resource/reserve evaluations and mine development. He has also been Director of Great American Minerals Inc. since April 2003. From 1997 to 1999, he was a co-founding officer and Director of Golden Phoenix Minerals, Inc., a publicly held natural resources company. Mr. McDowell is a registered professional land surveyor in the state of California.

For the following reasons the Board concluded that Mr. McDowell should serve as a director of the Company, in light of its business and structure. Mr. McDowell's extensive management experience in mineral exploration companies and background in mineral projects enable him to provide operating and leadership insights to the Board as a director. Further, his experience with other exploration companies allow him to bring a wide range of senior expertise in regard to mineral exploration to the Company. These skills were determined by the Board to be valuable to the Board, as the Company's primary assets are exploration stage properties.

David C. Mathewson

Mr. Dave Mathewson is a geologist-explorer with over 50 years of exploration experience, primarily focused in Nevada. Between June 2016 and June 2019, he was Vice-President and Head of Exploration at U.S. Gold Corp. He is also self-employed since 2001 as owner and geologist at Nevada Gold Ventures, LLC. Mr. Mathewson was head of Newmont Nevada's exploration team from 1989 through 2001, making discoveries including Tess, Northwest Rain, Saddle and South Emigrant in the Rain mining district of Nevada, as well as important deposit extension discoveries at Newmont's Gold Quarry and Mike deposits. Mr. Mathewson was a founder, Director, and Vice President of Exploration from 2009 to 2014 at Gold Standard Ventures. He earned his MSc degree in geology from the University of Idaho and completed PhD studies at New Mexico Institute of Mining and Technology.

For the following reasons the Board concluded that Mr. Mathewson should serve as a director of the Company, in light of its business and structure. Mr. Mathewson's extensive management experience in mineral exploration companies and background in mineral projects enable him to provide operating and leadership insights to the Board as a director. Further, his experience as a geologist with other exploration and mining companies in the State of Nevada allow him to bring technical expertise in regard to mineral exploration to the Company. These skills were determined by the Board to be valuable to the Board, as the Company's primary assets are exploration stage properties.

William Matlack

On October 29, 2019, our Board of Directors appointed Mr. Matlack as a director of the Company. Mr. Matlack is a veteran geologist and metals and mining investment banker with Scarsdale Equities LLC. Over his 20-year career in the mining industry, working primarily with Santa Fe Pacific Gold Corp. (now Newmont Mining) and Gold Fields, Mr. Matlack was involved in the exploration and development of several world-class gold discoveries in Nevada and California. Later, he was an equity research analyst in metals & mining with Citigroup and BMO Capital Markets. More recently, he was interim CEO and a director of Klondex Mines Limited during its transformation from an explorer to gold producer in Nevada.

For the following reasons the Board concluded that Mr. Matlack should serve as a director of the Company, in light of its business and structure. Mr. Matlack's extensive geological, metals and management experience in mineral exploration companies and background in mineral projects enable him to provide operating and leadership insights to the Board as a director. Further, his experience with other exploration companies allow him to bring a wide range of senior expertise in regard to mineral exploration to the Company. These skills were determined by the Board to be valuable to the Board, as the Company's primary assets are exploration stage properties.

Steven Osterberg – President, Chief Executive Officer and Director

Dr. Osterberg was appointed as our President and Chief Executive Officer and a Director effective January 19, 2016, and prior to that was our Vice-President, Exploration since February 1, 2012. Previously, since April 2009, Dr. Osterberg was a Senior Geologist with Tetra Tech, Inc., a mining-related consulting firm. From November 2004 through March 2009, Dr. Osterberg was an independent consulting geologist. During this period, Dr. Osterberg also co-founded Jack's Fork Exploration, Inc., a privately held mineral exploration company. From 2002 to 2004, Dr. Osterberg was a Senior Geologist at Tetra Tech-MFG, Inc. Dr. Osterberg holds a Ph.D. in geology from the University of Minnesota and is a licensed professional geologist (P.G.) and qualified person (QP) with the Society of Mining and Metallurgy (SME). Mr. Osterberg is employed on a full-time basis with Timberline Resources.

For the following reasons the Board concluded that Mr. Osterberg should serve as a director of the Company, in light of its business and structure. Mr. Osterberg has extensive knowledge of the Company's properties having served and continuing to serve as the Company's Vice-President, Exploration. Further, Mr. Osterberg's degree and qualifications in geology provided expertise to the Board regarding the Company's exploration potential. These skills were determined by the Board to be valuable to the Board at the time the Board appointed Mr. Osterberg to the Board, as the Company's primary assets are exploration stage properties.

Ted R. Sharp, CPA – Chief Financial Officer

Mr. Sharp was appointed as our Chief Financial Officer, Secretary, and Treasurer effective September 10, 2018. Mr. Sharp is a Certified Public Accountant, and has Bachelor of Business Administration Degree in Accounting from Boise State University. Since March 2006 to the present, he serves as Chief Financial Officer of Goldrich Mining Company. Since December 2018 to the present, he serves as Chief Financial Officer of U.S. Gold Corp, a natural resource company trading on the FINRA OTCBB. Since 2003, he has been President of Sharp Executive Associates, Inc., a privately-held accounting firm providing Chief Financial Officer services to clients. From July 2012 through the present, Mr. Sharp is a principal and serves part-time as Chief Financial Officer of US Calcium LLC, a privately-held natural resource company. In the past, from May 2011 through January 2012, Mr. Sharp served part-time as Chief Financial Officer of Gryphon Gold Corporation, a natural resource company trading on the FINRA OTCBB, and from September 2008 through November 2010, Mr. Sharp served part-time as Chief Executive Officer, President and Chief Financial Officer of Texada Ventures, Inc, a natural resource exploration company formerly trading on the FINRA OTCBB. From November of 2006 to June 2009, Mr. Sharp served part-time as Chief Financial Officer of Commodore Applied Technologies, Inc., an environmental solutions company formerly trading on the FINRA OTCBB. Prior to 2003, he worked for 14 years in positions of Chief Financial Officer, Managing Director of European Operations and Corporate Controller for Key Technology, Inc., a publicly-traded manufacturer of capital goods. Mr. Sharp has more than 30 years of experience in treasury management, internal financial controls, SEC reporting and Corporate Governance.

Arrangements between Officers and Directors

To our knowledge, there is no arrangement or understanding between any of our officers and any other person, including Directors, pursuant to which the officer was selected to serve as an officer.

Family Relationships

None of our Directors are related by blood, marriage, or adoption to any other Director, executive officer, or other key employees.

Other Directorships

None of the Directors of the Company are also directors of issuers with a class of securities registered under Section 12 of the Exchange Act (or which otherwise are required to file periodic reports under the Exchange Act).

Legal Proceedings

Other than as noted below, we are not aware of any of our directors or officers being involved in any legal proceedings in the past ten years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses) or being subject to any of the items set forth under Item 401(f) of Regulation S-K.

Audit Committee and Audit Committee Financial Experts

We have a standing Audit Committee and audit committee charter, which complies with Rule 10A-3 of the Exchange Act, and the requirements of the NYSE American LLC. Our Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. Our Audit Committee is composed of two (2) directors each of whom, in the opinion of the Board, are independent (in accordance with Rule 10A-3 of the Exchange Act and the requirements of Section 803A of the NYSE

American Company Guide) and financially literate (pursuant to the requirements of Section 803B of the NYSE American Company Guide): Leigh Freeman (Chairman), David Mathewson. Mr. Freeman, and Mr. Mathewson each satisfy the requirement of a "financial expert" as defined under Item 407(d)(5) of Regulation S-K and meets the requirements for financial sophistication under the requirements of Section 803B of the NYSE American Company Guide. David Mathewson was appointed to the Audit Committee when Steven Gilbertson resigned from the Board on November 13, 2018. At December 27, 2019, Mr. Freeman and Mr. Mathewson are the only members of the Audit Committee.

Director Nomination Procedures

There have been no material changes to the procedures pursuant to which a stockholder may recommend a nominee to the Board. The Corporate Governance and Nominating Committee does not have a set policy for whether or how stockholders are to recommend nominees for consideration by the Board. Recommendations for director nominees made by stockholders are subject to the same considerations as nominees selected by the Corporate Governance and Nominating Committee or the Board.

Code of Business and Ethical Conduct

We have adopted a corporate Code of Business and Ethical Conduct administered by our President and Chief Executive Officer, Steven A. Osterberg. We believe our Code of Business and Ethical Conduct is reasonably designed to deter wrongdoing and promote honest and ethical conduct, to provide full, fair, accurate, timely and understandable disclosure in public reports, to comply with applicable laws, to ensure prompt internal reporting of code violations, and to provide accountability for adherence to the code. Our Code of Business and Ethical Conduct provides written standards that are reasonably designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that are filed with, or submitted to, the Commission and in other public communications made by an issuer;
- Compliance with applicable governmental laws, rules and regulations; and
- The prompt internal reporting of violations of the code to an appropriate person or persons identified in the code; and
- Accountability for adherence to the code.

Our Code of Business and Ethical Conduct is available on our web site at www.timberline-resources.com. A copy of the Code of Business and Ethical Conduct will be provided to any person without charge upon written request to us at our executive offices: Timberline Resources Corporation, 101 East Lakeside Avenue, Coeur d'Alene, Idaho 83814. We intend to disclose any amendment to or any waiver from a provision of our code of ethics that applies to any of our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions that relates to any element of our code of ethics on our website. No waivers were granted from the requirements of our Code of Business and Ethical Conduct during the year ended September 30, 2019, or during the subsequent period from October 1, 2019 through the date of this Form 10-K.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors, and persons who beneficially own more than 10% of our common stock ("10% Stockholders"), to file reports of ownership and changes in ownership with the Securities and Exchange Commission ("SEC"). Such officers, directors and 10% Stockholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms that they file.

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, the Company believes that during fiscal year ended September 30, 2019, the filing requirements applicable to its officers, directors and greater than 10% percent beneficial owners were complied with.

ITEM 11. EXECUTIVE COMPENSATION

The following summary compensation tables set forth information concerning the annual and long-term compensation for services in all capacities to the Company for the year ended September 30, 2019 of those persons who were, at September 30, 2019 (i) the Chief Executive Officer (Steven Osterberg), (ii) the recently-resigned Chief Financial Officer (Randal Hardy), (iii) the newly appointed Chief Financial Officer (Ted R. Sharp) and (iv) any other highly compensated executive officers of the Company, whose annual base salary and bonus compensation was in excess of $100,000:

SUMMARY COMPENSATION TABLE

Name and principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Unit and Stock Option Awards[7] ($)	All Other Compensation ($)	Total ($)
Steven Osterberg, President, Chief Executive Officer[1]	2019	150,000	0	0	0	150,000
	2018	156,250	0	60,000[5]	11,538[3]	227,788
Randal Hardy, Chief Financial Officer[2]	2019	-	-	-	1,405[2]	1,405
	2018	156,250	0	60,000[5]	20,192[3]	236,442
Ted R. Sharp, Chief Financial Officer[4]	2019	-	-	5,000[6]	54,395[4]	59,395
	2018	-	-	-	-	-

(1) Mr. Osterberg was appointed President & Chief Executive Officer on January 19, 2016.
(2) Mr. Hardy served as a consultant to the Company in 2016 and was re-appointed as Chief Financial Officer on September 8, 2016. He resigned his position on August 27, 2018.
(3) Payment for earned but unused vacation time.
(4) Mr. Sharp was appointed CFO on September 10, 2018, and received no compensation prior to the close of fiscal year 2018.
(5) Includes 500,000 stock option awards, with an exercise price of $0.12 per share, which vested immediately.
(6) Includes 100,000 stock option awards, with an exercise price of $0.10 per share, which vested immediately.
(7) Stock Option awards are valued using the Black-Scholes method in accordance with FASB ASC Topic 718 and stock unit awards are valued at the market price of the stock on the date of grant. These amounts reflect the Company's accounting expense for these awards, and do not correspond to the actual value that may be recognized by the named executive officers. For additional information on the assumptions underlying the valuation of the Company's stock-based awards, please refer to Note 10 of the Company's consolidated financial statements included in its Annual Report on Form 10-K for fiscal year ended September 30, 2019 and Note 11 of the Company's consolidated financial statements included in its Annual Report on Form 10-K for fiscal years ended September 30, 2018.

Executive Compensation Agreements

Osterberg Employment Agreement

On August 28, 2015, Steven Osterberg, our Vice President of Exploration, and subsequently on January 19, 2016, appointed as our President and Chief Executive Officer, entered into an employment agreement ("Osterberg Agreement") setting forth the material terms of his employment with the Company.

Pursuant to the terms of the terms of the Osterberg Agreement, we employed Mr. Osterberg as a full-time executive employee as the Vice President of Exploration and report to the Chief Executive Officer. In consideration for rendering such services, Mr. Osterberg is compensated with an annual salary of not less than $150,000. We also pay for (or reimburse Mr. Osterberg the cost of) health, dental and vision insurance for Mr. Osterberg and his eligible family members. The Osterberg Agreement provides for the reimbursement of all reasonable business expenses of Mr. Osterberg.

The Osterberg Agreement also provides that Mr. Osterberg is eligible to participate in such profit-sharing, bonus, stock purchase, incentive and performance award programs which are made available to our employees with comparable authority or duties. Mr. Osterberg is eligible to receive performance bonuses and other incentive compensation based upon the recommendations and approval, and subject to the sole discretion, of our Board of Directors. The Osterberg Agreement provides that Mr. Osterberg is entitled to take six (6) weeks of paid vacation in each 12-month period of employment and will be permitted to carry-over up to six (6) weeks of unused vacation into the next calendar year.

The Osterberg Agreement provides that Mr. Osterberg may be terminated (i) without "Cause" upon 90 days written notice or (ii) with "Cause" immediately upon written notice, and Mr. Osterberg may resign (i) for "Good Reason" immediately upon written notice and (ii) without "Good Reason" upon 30 days written notice. "Cause" and "Good Reason" are as defined in the Osterberg Agreement.

Upon termination without Cause or resignation for Good Reason following a Change in Control of the Company (as defined in the Osterberg Agreement) or upon termination due to death or permanent disability, the Company shall: (a) pay Mr. Osterberg a severance benefit equal to the product of his base annual salary immediately preceding his termination, inclusive of any non-equity performance bonus earned in the twelve (12) months preceding termination, multiplied by a "change in control multiplier" equal to one (1) plus one twelfth (1/12) of the number of full years (up to a maximum of twelve (12) years) that Mr. Osterberg was employed by the Company, (b) pay for health insurance benefits for Mr. Osterberg and his eligible family members up to $20,000 per year for a period of one (1) year plus one (1) additional month for each full year that Mr. Osterberg was employed by the Company or until such benefits are paid for by another employer, and (c) pay Mr. Osterberg the value of his earned but unused vacation days.

Upon termination without Cause or resignation for Good Reason not following a Change in Control of the Company, the Company shall: (a) pay Mr. Osterberg a severance benefit equal his base annual salary immediately preceding his termination, inclusive of any non-equity performance bonus earned in the twelve (12) months preceding termination, (b) pay for health insurance benefits for Mr. Osterberg and his eligible family members up to $20,000 per year for a period of one (1) year plus one (1) additional month for each full year that Mr. Osterberg was employed by the Company or until such benefits are paid for by another employer, and (c) pay Mr. Osterberg the value of his earned but unused vacation days.

Upon retirement, the Osterberg Agreement provides that the Company is not obligated to pay Mr. Osterberg a monthly retirement benefit but shall endeavor in good faith to devise and implement a retirement plan for Mr. Osterberg and the other employees of the Company.

The Osterberg Agreement provides for Mr. Osterberg to maintain the confidentiality of the Company's confidential information and contains a non-competition provision pursuant to which Mr. Osterberg agrees for a one year period following termination to not directly or indirectly for himself or on behalf of others (a) solicit for employment or as a consultant or independent contractor or enter into an independent contract or relationship with any person employed by the Company at any time during such period or otherwise interfere with such employment relationship, (b) induce or attempt to induce any customer, supplier, licensee or business relation of the Company to cease doing business with the Company, or (c) disparage the Company.

Mr. Osterberg's contract was not amended or in any way altered in relation to his appointment as President and Chief Executive Officer on January 19, 2016.

Sharp Consulting Arrangements and Agreement

On September 10, 2018, we entered into an Engagement Letter with Ted R. Sharp, CPA and his firm Sharp Executive Associates, Inc. (together, "Sharp") to provide Chief Financial Officer services to the Company. The Engagement Letter outlines the general scope of services, to include the specific functions of CFO of a publicly-traded company and general functions of a person acting as a financial executive.

Sharp's fees for services are based upon time expended, and will be billed at the firm's normal billing rates. Any direct costs incurred by Sharp are billed separately, plus any out-of-pocket travel and other expenses. The billing rates are as follows:

Sharp Staff	Normal Billing Rate
Clerical	$35 per hour
Senior Accountant	$80 per hour
Supervisor/Manager	$120 per hour
Owner/Member	$150 per hour

Sharp anticipates the work being performed personally by Ted R. Sharp, CPA, Owner/Member, for which a resume had been provided prior to this engagement letter. If and when an opportunity presents itself to assign less-complicated or clerical tasks, and thereby save Timberline fees, Sharp will make every effort to assign tasks or portions of the project to appropriately qualified persons at lower billing rates.

Ted R. Sharp was designated as the Chief Financial Officer of Timberline and signs all SEC documents, filings and communications as such. In relation to appointment as CFO, Mr. Sharp will be issued stock or options for stock commensurate with the appointment of other executive officers of Timberline. Mr. Sharp and his firm are included in the Director & Officer coverage under Timberline's insurance plans.

The services of Mr. Sharp and his firm are governed by ethical standards established and enforced by the American Institute of CPA's and the State Board of Accountancy of Idaho and Washington.

The Engagement Letter may be terminated at any time upon 30-days' notice by either party. There is no penalty or fee for termination other than payment of time and expenses expended through the date of final termination. The termination may be immediate by either party as a result of illegal acts, breach of contract, or other reasonable cause by the other party.

Retirement, Resignation or Termination Plans

We sponsor no plan, whether written or verbal, that would provide compensation or benefits of any type to an executive upon retirement, or any plan that would provide payment for retirement, resignation, or termination as a result of a change in control of our Company or as a result of a change in the responsibilities of an executive following a change in control of our Company. Specific executive employment agreements described above do, however, provide that if the executive's employment is terminated by the Company without Cause or by the executive for Good Reason, as such terms are defined in their respective employment agreements, the executive will be entitled to receive payments as set forth in the above discussions, which payments are greater in each case in the event that such termination or resignation is in relation to a change in control transaction.

Outstanding Equity Awards At Fiscal Year-End

The following table sets forth the stock options granted to our named executive officers, as of September 30, 2019. No stock appreciation rights have been awarded.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable[1]	Option Exercise Price ($)	Option Expiration Date
Steven Osterberg	40,000	$0.48	12/17/2019
	250,000	$0.40	7/6/2021
	500,000	$0.17	2/2/2023
Ted R. Sharp	100,000	$0.10	1/17/2024

Directors

The following table sets forth the compensation granted to our directors during the fiscal year ended September 30, 2019. Compensation to Directors that are also executive officers is detailed above and is not included on this table.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Leigh Freeman	0	0	0[2]	0	0	0	0
Paul Dircksen	0	0	0	0	0	6,707[1]	6,707
Donald McDowell	0	0	0	0	0	0	0
David Mathewson	0	0	0	0	0	0	0

(1) Health care premium reimbursements per Mr. Dircksen's employment letter prior to his retirement. This reimbursement agreement has no expiration date.

Compensation of Directors

Directors that were also executive officers received no monetary compensation for serving as a Director. Non-executive directors are granted non-qualified stock options as compensation. Such stock option awards are determined at the sole discretion of the Company's Compensation Committee.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS

The following tables set forth information as of September 30, 2019, regarding the ownership of our common stock by:

- each named executive officer, each director and all of our directors and executive officers as a group; and
- each person who is known by us to own more than 5% of our shares of common stock.

The number of shares beneficially owned and the percentage of shares beneficially owned are based on 67,395,260 shares of common stock outstanding as of September 30, 2019. Beneficial ownership is determined in accordance with the rules and regulations of the SEC. Shares subject to options that are exercisable within 60 days following September 30, 2019 are deemed

to be outstanding and beneficially owned by the optionee for the purpose of computing share and percentage ownership of that optionee but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. Except as indicated in the footnotes to this table, and as affected by applicable community property laws, all persons listed have sole voting and investment power for all shares shown as beneficially owned by them.

DIRECTORS AND EXECUTIVE OFFICERS

Title of Class	Name of Beneficial Owner	Number of Shares of Common Stock/Common Shares Underlying Derivative Securities Beneficially Owned	Percentage of Common Shares**
Common Stock	Leigh Freeman (a)(1) Chairman of the Board, Director	65,066/495,000	*
Common Stock	Steve Osterberg (b)(2) President & Chief Executive Officer, Director	759,160/1,342,500	3.06%
Common Stock	Donald McDowell (a)(3) Director	10,609,200/10,575,000	31.17%
Common Stock	William Matlack.(a)(7) Director	5,805,179/12,713,079	9.9%
Common Stock	Paul Dircksen (a)(4) Director	394,228/445,000	1.24%
Common Stock	Dave Mathewson (a)(5) Director	1,375,000/2,100,000	5.00%
Common Stock	Ted R. Sharp (c)(6) Chief Financial Officer	-/100,000	*
Common Stock	Total Directors and Executive Officers as a group (7 persons)	19,007,833/27,770,579	64.55%

5% STOCKHOLDERS

Title of Class	Name and Address of Beneficial Owner	Number of Shares of Common Stock/Common Shares Underlying Derivative Securities Beneficially Owned	Percentage of Common Shares**
Common Stock	Americas Gold Exploration, Inc. (3) 2131 Stone Hill Circle Reno, NV 89519	10,000,000/10,000,000	25.84%
Common Stock	Nicholas Stuart Bryant (8) The Manor House South Warnborough Hook, Hampshire RG29 1RR United Kingdom	2,450,000/2,908,521	7.62%

* less than 1%.

** The percentages listed for each shareholder are based on 67,395,260 shares outstanding as of September 30, 2019 and assume the exercise by that shareholder only of his entire option or warrant, exercisable within 60 days of September 30, 2019.

(a) Director only

(b) Officer and Director

(c) Officer only

(1) A vested option to purchase 45,000 shares was granted to this stockholder on December 17, 2014 with an exercise price of $0.48 per share and an expiration date of December 17, 2019. A vested option to purchase 250,000 shares was granted to this stockholder on July 6, 2016 with an exercise price of $0.40 per share and an expiration date of July 6, 2021. A vested option to purchase 200,000 shares was granted to this stockholder on February 2, 2018 with an exercise price of $0.17 per share and an expiration date of February 2, 2023.

(2) A vested option to purchase 40,000 shares was granted to this stockholder on December 17, 2014 with an exercise price of $0.48 per share and an expiration date of December 17, 2019. A vested option to purchase 250,000 shares was granted to this stockholder on July 6, 2016 with an exercise

price of $0.40 per share and an expiration date of July 6, 2021. A vested option to purchase 500,000 shares was granted to this stockholder on February 2, 2018 with an exercise price of $0.17 per share and an expiration date of February 2, 2023. This stockholder acquired units on April 12, 2017 which included 65,000 shares of common stock and 65,000 warrants to acquire one share of common stock with an exercise price of $0.40 and an expiration date of January 31, 2020. This stockholder acquired units on May 4, 2018 which included 125,000 shares of common stock and 125,000 warrants to acquire one share of common stock with an exercise price of $0.08 and an expiration date of April 30, 2021. This stockholder acquired units on October 29, 2018 which included 187,500 shares of common stock and 187,500 warrants to acquire one share of common stock with an exercise price of $0.14 and an expiration date of October 29, 2021. This stockholder acquired units on March 22, 2019 which included 175,000 shares of common stock and 175,000 warrants to acquire one share of common stock with an exercise price of $0.14 and an expiration date of March 22, 2022.

(3) Mr. McDowell, a director of the Company, is the principal holder of shares of Americas Gold Exploration, Inc., owning approximately 75% of the voting securities of that company. The shares include 609,200 shares, a vested option to purchase 100,000 shares was granted to this stockholder on June 21, 2018 with an exercise price of $0.10 per share and an expiration date of June 21, 2023, and 445,000 warrants to acquire one share of common stock with an exercise price of $0.14 and an expiration date of March 22, 2022, each held personally by Mr. McDowell. Also included are 5,000,000 shares acquirable upon exercise of warrants exercisable at a price of $0.24 per share that expire on August 14, 2021, and 5,000,000 shares acquirable upon exercise of warrants exercisable at a price of $0.14 per share that expire on December 31,2021.

(4) A vested option to purchase 45,000 shares was granted to this stockholder on December 17, 2014 with an exercise price of $0.48 per share and an expiration date of December 17, 2019. A vested option to purchase 200,000 shares was granted to this stockholder on July 6, 2016 with an exercise price of $0.40 per share and an expiration date of July 6, 2021. A vested option to purchase 200,000 shares was granted to this stockholder on February 2, 2018 with an exercise price of $0.17 per share and an expiration date of February 2, 2023.

(5) A vested option to purchase 100,000 shares was granted to this stockholder on June 21, 2018 with an exercise price of $0.10 per share and an expiration date of June 21, 2023. This stockholder acquired units on October 29, 2018 which included 875,000 shares of common stock and 875,000 warrants to acquire one share of common stock with an exercise price of $0.14 and an expiration date of October 29, 2021. This stockholder acquired units on March 22, 2019 which included 500,000 shares of common stock and 500,000 warrants to acquire one share of common stock with an exercise price of $0.14 and an expiration date of March 22, 2022.

(6) A vested option to purchase 100,000 shares was granted to this stockholder on December 31, 2018 with an exercise price of $0.10 per share and an expiration date of December 31, 2023.

(7) Includes 200,000 shares acquirable upon exercise of warrants exercisable at a price of $0.40 per share that expire on January 31, 2020, 2,025,000 shares acquirable upon exercise of warrants exercisable at a price of $0.14 per share that expire on April 30, 2021, 3,265,500 shares acquirable upon exercise of warrants exercisable at a price of $0.09 per share that expire on February 1, 2021, 3,678,979 shares acquirable upon exercise of warrants exercisable at a price of $0.14 per share that expire on October 29, 2021, 3,543,600 shares acquirable upon exercise of warrants exercisable at a price of $0.07 per share that expire on November 20, 2020. Mr. Matlack's warrants include a voluntary provision in which he is prohibited from exercising those warrants if so doing would result in ownership exceeding 9.99%

(8) Includes 700,000 shares acquirable upon exercise of warrants exercisable at a price of $0.40 per share that expire on January 31, 2020, 1,250,000 shares acquirable upon exercise of warrants exercisable at a price of $0.14 per share that expire on April 30, 2021 and 958,521 shares acquirable upon exercise of warrants exercisable at a price of $0.14 per share that expire on October 29, 2021.

We believe that all persons named have full voting and investment power with respect to the shares indicated, unless otherwise noted in the table and the footnotes thereto. Under the rules of the Securities and Exchange Commission, a person (or group of persons) is deemed to be a "beneficial owner" of a security if he or she, directly or indirectly, has or shares the power to vote or to direct the voting of such security, or the power to dispose of or to direct the disposition of such security.

Accordingly, more than one person may be deemed to be a beneficial owner of the same security. A person is also deemed to be a beneficial owner of any security, which that person has the right to acquire within 60 days, such as options or warrants to purchase our common stock.

The Company is not, to the best of our knowledge, directly or indirectly owned or controlled by another corporation or foreign government.

Change in Control

The Company is not aware of any arrangement that might result in a change in control in the future. The Company has no knowledge of any arrangements, including any pledge by any person of our securities, the operation of which may at a subsequent date result in a change in the Company's control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Transactions with Related Persons

There were no reportable transactions with related parties, including 5% or greater security holders, during the fiscal year ended September 30, 2019, except as noted below.

On October 29, 2019, William Matlack was appointed to our Board of Directors. Mr. Matlack is the lender of two senior unsecured notes payable of $300,000 and $250,000 to the Company. The notes are due on January 20, 2023 and November 7, 2020, respectively. The notes carry an annual rate of 18%, and Mr. Matlack has waived a default condition that currently exists due to us not remitting 25% of equity and other debt financings in payment on these two notes.

In connection with the definitive agreement dated May 23, 2018 with AGEI for the purchase of our interests in two mineral properties, we paid $100,000, issued 10,000,000 shares of our common stock and issued 5,000,000 Series D-2 warrants to AGEI, for total consideration of $1,146,000. This transaction results in AGEI owning greater than 25% of the Company if all

warrants were exercised. The agreement also requires us to issue an additional 5,000,000 warrants at December 31, 2018, if and when we complete the required 2018 work commitment by that date.

Also in connection with the definitive agreement with AGEI, Mr. Donald J. McDowell and Mr. Dave Mathewson were appointed to the Company's Board of Directors on June 21, 2018. Mr. McDowell is the majority owner of AGEI and is the beneficial owner of the majority of the consideration for the Transaction. In connection with the appointments to the Board, we granted each 100,000 stock options to acquire shares of our common stock. The options were valued at $16,000 based upon the closing price of our shares of common stock on the date the options were granted.

On May 8, 2018, two executive officers, Steve Osterberg and Randy Hardy, participated in a private placement offering of Units of the Company, purchasing, in the aggregate, 250,000 units for proceeds of $20,000. Additionally, subsequent to the closing of the offerings, one participating investor, Dave Mathewson was appointed to the Company's Board of Directors. He had purchased 625,000 Units for proceeds of $50,000. The participation of our executive officers and Mr. Mathewson was done at the same terms as the other investors in the offering.

Except as indicated herein, no officer, director, promoter, or affiliate of Timberline has or proposes to have any direct or indirect material interest in any asset acquired or proposed to be acquired by Timberline through security holdings, contracts, options, or otherwise. In cases where we have entered into such related party transactions, we believe that we have negotiated consideration or compensation that would have been reasonable if the party or parties were not affiliated or related.

Policy for Review of Related Party Transactions

We have a policy for the review of transactions with related persons as set forth in our Audit Committee Charter and internal practices. The policy requires review, approval or ratification of all transactions in which we are a participant and in which any of our directors, executive officers, significant stockholders or an immediate family member of any of the foregoing persons has a direct or indirect material interest, subject to certain categories of transactions that are deemed to be pre-approved under the policy - including employment of executive officers, director compensation (in general, where such transactions are required to be reported in our proxy statement pursuant to SEC compensation disclosure requirements), as well as certain transactions where the amounts involved do not exceed specified thresholds. All related party transactions must be reported for review by the Audit Committee of the Board of Directors pursuant to the Audit Committee's charter and the rules of the NYSE American.

Following its review, the Audit Committee determines whether these transactions are in, or not inconsistent with, the best interests of the Company and its stockholders, taking into consideration whether they are on terms no less favorable to the Company than those available with other parties and the related person's interest in the transaction. If a related party transaction is to be ongoing, the Audit Committee may establish guidelines for the Company's management to follow in its ongoing dealings with the related person.

Our policy for review of transactions with related persons was followed in all of the transactions set forth above and all such transactions were reviewed and approved in accordance with our policy for review of transactions with related persons.

Director Independence

We have six directors as of December 27, 2019, including three independent directors, as follows:

- Leigh Freeman
- Paul Dircksen
- David Mathewson

An "independent" director is a director whom the Board of Directors has determined satisfies the requirements for independence under Section 803A of the NYSE American Company Guide.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

DeCoria, Maichel & Teague P.S. was the Independent Registered Public Accounting Firm for the Company in the fiscal year ended September 30, 2019.

Our financial statements have been audited by DeCoria, Maichel & Teague P.S., independent registered public accounting firm, for the years ended September 30, 2006 through September 30, 2019.

The following table sets forth information regarding the amount billed to us by our independent auditor, DeCoria, Maichel & Teague P.S. for our two fiscal years ended September 30, 2019 and 2018, respectively:

	Years Ended September 30,	
	2019	2018
Audit Fees	$45,392	$40,801
Audit Related Fees	-	-
Tax Fees	8,142	8,050
All Other Fees	1,270	910
Total	$54,804	$49,761

Audit Fees

Consist of fees billed for professional services rendered for the audit of our financial statements and review of interim consolidated financial statements included in quarterly reports and services that are normally provided by the principal accountants in connection with statutory and regulatory filings or engagements.

Audit Related Fees

Consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under “Audit Fees”.

Tax Fees

Consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include preparation of federal and state income tax returns.

All Other Fees

Consist of fees for product and services other than the services reported above.

Policy on Pre-Approval by Audit Committee of Services Performed by Independent Auditors

The Audit Committee has adopted procedures requiring the Audit Committee to review and approve in advance, all particular engagements for services provided by the Company’s independent auditor. Consistent with applicable laws, the procedures permit limited amounts of services, other than audit, review or attest services, to be approved by one or more members of the Audit Committee pursuant to authority delegated by the Audit Committee, provided the Audit Committee is informed of each particular service. All of the engagements and fees for 2019 and 2018 were pre-approved by the Audit Committee. The Audit Committee reviews with DeCoria, Maichel & Teague P.S. whether the non-audit services to be provided are compatible with maintaining the auditor's independence.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Financial Statements

The following Consolidated Financial Statements of the Corporation are filed as part of this report:

1. Report of Independent Registered Public Accounting Firm dated January 09, 2020.
2. Consolidated Balance Sheets—At September 30, 2019 and 2018.
3. Consolidated Statements of Operations and Comprehensive Income (Loss)—Years ended September 30, 2019 and 2018.
4. Consolidated Statements of Changes in Stockholders' Equity—Years ended September 30, 2019 and 2018.
5. Consolidated Statements of Cash Flows—Years ended September 30, 2019 and 2018.
6. Notes to Consolidated Financial Statements.

See "Item 8. Financial Statements and Supplementary Data."

Exhibits

Exhibit	Description of Document
3.1	Certificate of Incorporation of the Registrant as amended through October 31, 2014, incorporated by reference to the Company's Form 10-K as filed with the Securities and Exchange Commission on December 23, 2014
3.2	Amended By-Laws of the Registrant, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on August 13, 2015.
4.1	Specimen of the Common Stock Certificate, incorporated by reference to the Company's Form 10SB as filed with the Securities Exchange Commission on September 29, 2005
4.2	Form of Warrant Agreement between the Company and Aegis Capital Corp., incorporated by reference to the Company's Form 10-K filed with the Securities and Exchange Commission on December 18, 2013.
4.3	Form of Warrant Agreement incorporated by reference to the Company's Form 10-Q filed with the Securities and Exchange Commission on August 11, 2016.
4.4	Form of Warrant Agreement for March and April 2017 Offering of Units, incorporated by reference to the Company's Form 10-Q filed with the Securities and Exchange Commission on May 15, 2017.
4.5	Form of the Series H Warrant, incorporated by reference to exhibit 99.1 to the Company's Form 8-K as filed with the Securities and Exchange Commission on April 1, 2019
4.6	Form of the Series G Warrant, incorporated by reference to exhibit 4.4 to the Company's Form 10-Q as filed with the Securities and Exchange Commission on August 14, 2019
4.7	Form of the Series J Warrant, incorporated by reference to exhibit 4.5 to the Company's Form 8-K as filed with the Securities and Exchange Commission on October 25, 2019
4.8 #	Form of the Series I Warrant
10.1	Memorandum of Royalty Deed and Agreement between Hecla Mining Co. and the Registrant, incorporated by reference to Exhibit 10.3 to the Company's Form 8-K as filed with the Securities Exchange Commission on February 6, 2006.
10.2	Quitclaim Deed and Assignment between Hecla Mining Co. and the Registrant, incorporated by reference to Exhibit 10.2 to the Company's Form 8-K as filed with the Securities Exchange Commission on February 6, 2006.
10.3*	Amended 2005 Equity Incentive Plan approved at the September 22, 2006 Annual Meeting of Shareholders, incorporated by reference Exhibit A to the Company's Schedule DEF14A (Proxy Statement) as filed with the Securities and Exchange Commission on September 8, 2006
10.4*	Employment Agreement with VP Paul Dircksen, incorporated by reference to the Company's Form 10KSB as filed with the Securities Exchange Commission on January 16, 2007.
10.5	Assignment and Assumption Agreement dated July 19, 2007 between the Registrant and Butte Highlands Mining Company, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on July 24, 2007.
10.6*	Amendment No. 1 to Timberline Resources Corporation's Amended 2005 Equity Incentive Plan, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on August 27, 2008.
10.7	Operating Agreement with Highland Mining, LLC, dated July 22, 2009 (Note that parts of this agreement have been redacted pursuant to a Confidential Treatment Request granted by the Commission on February 2, 2011, incorporated by reference to the Company's Form 10-K as filed with the Securities Exchange Commission on December 20, 2010.
10.8	Underwriting Agreement between the Company and Aegis Capital Corp., dated December 19, 2012, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on December 21, 2012.
10.9	Lease and Option Agreement for Purchase & Sale of Dave Knight Mining Properties, dated August 22, 2013, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on August 28, 2013.
10.10	Underwriting Agreement between the Company and Aegis Capital Corp., dated September 4, 2013, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on September 5, 2013.
10.11	Amendment to Lease and Option Agreement for Purchase & Sale of Dave Knight Mining Properties, dated October 25, 2013, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on October 29, 2013.
10.12	Addendum to a Confidentiality Agreement, effective November 22, 2013, dated December 2, 2013, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on December 6, 2013

10.13	Agreement between the Company and Timberline Drilling Inc. regarding early cash payment under the Drilling Services and Related Payments Obligations Agreement, incorporated by reference to the Company Form 10-Q as filed with the Securities and Exchange Commission on August 6, 2014
10.14	Letter of Intent between the Company and Wolfpack dated March 11, 2014, incorporated by reference to the Company Form 10-Q as filed with the Securities and Exchange Commission on August 6, 2014
10.15	Promissory Note dated March 14, 2014 between the Company and Wolfpack, incorporated by reference to exhibit 10.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on March 20, 2014
10.16	Deed of Trust dated March 14, 2014 between the Company and Wolfpack, incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on March 20, 2014
10.17	Amended Letter of Intent dated April 14, 2014 between the Company and Wolfpack, incorporated by reference to the Company Form 10-Q as filed with the Securities and Exchange Commission on August 6, 2014
10.18	Arrangement Agreement dated May 6, 2014 between the Company and Wolfpack, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on May 15, 2014
10.19	Acknowledgement and Agreement to Be Bound to Wolfpack Gold Corp and to Seabridge Gold Inc., incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on August 21, 2014
10.20	Option Agreement between Timberline Resources Corp. and American Gold Capital US Inc., Gunpoint Exploration US Ltd., and Gunpoint Exploration Ltd. dated March 12, 2015, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on March 17, 2015
10.21 *	Steven Osterberg Employment Agreement dated September 2, 2015
10.22*	Paul Dircksen Letter Agreement dated September 22, 2015
10.23 *	2015 Stock and Incentive Plan, incorporated by reference to the Company's definitive proxy statement on Schedule 14A as filed with the Securities and Exchange Commission on August 26, 2015
10.24	Form of Loan Agreement dated May 26, 2016, incorporated by reference to the Company's 8-K as filed with the Securities and Exchange Commission on May 27, 2016
10.25	Form of Note dated May 26, 2016, incorporated by reference to the Company's 8-K as filed with the Securities and Exchange Commission on May 27, 2016
10.26	First Amendment to Option Agreement, incorporated by reference to the Company's Form 8-K filed with the Securities and Exchange Commission on November 17, 2016
10.27	Creditor Agreement dated September 12, 2017, incorporated by reference to the Company's Form 8-K as filed with the Securities and Exchange Commission on September 13, 2017
10.28	Sharp Executive Associates, Inc. (Ted R. Sharp) CFO Engagement Letter dated September 10, 2018, incorporated by reference to exhibit 10.36 to the Company's Form 10-K as filed with the Securities and Exchange Commission on December 27, 2018
10.29 #	Lookout Mountain LLC Agreement dated June 28, 2019
21.1#	List of Subsidiaries
31.1 #	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)
31.2 #	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rules 13a-14 and 15d-14 of the Exchange Act)
32.1#	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
32.2#	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)
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

* - Denotes management contract or compensatory plan
# - Filed herewith

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, we caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

TIMBERLINE RESOURCES CORPORATION

By: /s/ Steven A. Osterberg
Steven A. Osterberg, President, Chief Executive Officer, Principal Executive Officer

Date: January 10, 2020

In accordance with Section 13 or 15(d) of the Exchange Act, we caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

TIMBERLINE RESOURCES CORPORATION

By: /s/ Ted R. Sharp
Ted R. Sharp, Chief Financial Officer, Principal Financial Officer

Date: January 10, 2020

In accordance with the Exchange Act, this report has been signed below by the following persons on our behalf and in the capacities and on the dates indicated.

Date: January 10, 2020 */s/ Leigh Freeman*
Leigh Freeman, Chairman of the Board of Directors

Date: January 10, 2020 */s/ Steven A. Osterberg*
Steven A. Osterberg, Director, President and Chief Executive Officer

Date: January 10, 2020 */s/ Paul Dircksen*
Paul Dircksen, Director

Date: January 10, 2020 */s/* Donald McDowell
Paul Zink, Director

Date: January 10, 2020 */s/ David Mathewson*
David Mathewson, Director

Date: January 10, 2020 */s/ William Matlack*
William Matlack, Director

Date: January 10, 2020 */s/ Ted R. Sharp*
Ted R. Sharp, Chief Financial Officer

Exhibit 4.8

WARRANT CERTIFICATE

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. HEDGING TRANSACTIONS INVOLVING THE SECURITIES REPRESENTED HEREBY MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH U.S. SECURITIES LAWS.

THIS WARRANT AND THE SECURITIES DELIVERABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THIS WARRANT MAY NOT BE EXERCISED UNLESS THE WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE
Unless permitted under securities legislation, the holder of this security must not trade the security before November 9, 2019.

Without prior written approval of TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until November 9, 2019.

TIMBERLINE RESOURCES CORPORATION

SERIES I WARRANTS
TO PURCHASE SHARES
OF COMMON STOCK OF
TIMBERLINE RESOURCES CORPORATION

[Recipient's Name]
CERTIFICATE NO.: I-

Warrant to Purchase
Shares of Common Stock
May 9, 2019
("Issue Date")

FOR VALUE RECEIVED, TIMBERLINE RESOURCES CORPORATION**,** a Delaware corporation (the "**Company**"), hereby certifies that **[Receipient's Name].,** its successor or permitted assigns (the "**Holder**"), is entitled, subject to the provisions of this Series I Warrant, to purchase from the Company, at the times specified herein, **[number]** fully paid and non-assessable shares of Common Stock of the Company, par value $0.001 per share (the "**Common Stock**"), at a purchase price per share equal to the Exercise Price (as hereinafter defined).

1. *Definitions. (A) The Following Terms, As Used Herein, Have The Following Meanings:*

"**Affiliate**" shall have the meaning given to such term in Rule 12b-2 promulgated under the Securities and Exchange Act of 1934, as amended.

"**Business Day**" means any day except a Saturday, Sunday or other day on which commercial banks in the City of Coeur d'Alene, Idaho are authorized by law to close.

"**Common Stock**" means the Common Stock, par value $0.001 per share, of the Company.

"**Duly Endorsed**" means duly endorsed in blank by the Person or Persons in whose name a stock certificate is registered or accompanied by a duly executed stock assignment separate from the certificate with the signature(s) thereon guaranteed by a commercial bank or trust company or a member of a national securities exchange or of the National Association of Securities Dealers, Inc.

"Exercise Date" means the date a Warrant Certificate and Warrant Exercise Subscription Form are delivered to the Company in the manner provided in Section 10 below.

"**Exercise Price**" means US$0.07 per share until the Expiration Date.

"**Expiration Date**" means 5:00 p.m. pacific time (Coeur d'Alene, Idaho) on November 7, 2020; provided that if such date shall in the City of Coeur d'Alene, Idaho be a holiday or a day on which banks are authorized to close, then 5:00 p.m. on the next following day which in the City of Coeur d'Alene, Idaho is not a holiday or a day on which banks are authorized to close.

"Initial Warrant Exercise Date" means the date hereof.

"**Person**" means an individual, partnership, corporation, trust, joint stock company, association, joint venture, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"**Principal Market**" means the OTCQB or the primary securities exchanges or market on which such security may at the time be listed or quoted for trading.

"**Warrant Shares**" means the shares of Common Stock deliverable upon exercise of this Warrant, as adjusted from time to time.

2. ***Exercise Of Warrant.***

(a) The Holder is entitled to exercise this Warrant in whole or in part at any time on or after the Initial Warrant Exercise Date until the Expiration Date. To exercise this Warrant, the Holder shall deliver to the Company this Warrant Certificate, including the Warrant Exercise Subscription Form forming a part hereof duly executed by the Holder, together with payment of the applicable Exercise Price. Upon such delivery and payment, the Holder shall be deemed to be the holder of record of the Warrant Shares subject to such exercise, notwithstanding that the stock transfer books of the Company shall then be closed or that certificates representing such Warrant Shares shall not then be actually delivered to the Holder. No fractional shares will be issued.

(b) The Exercise Price may be paid to the Company in cash or by certified or official bank check or bank cashier's check payable to the order of the Company, or by wire transfer or by any combination of cash, check or wire transfer.

(c) If the Holder exercises this Warrant in part, this Warrant Certificate shall be surrendered by the Holder to the Company and a new Warrant Certificate of the same tenor and for the unexercised number of Warrant Shares shall be executed by the Company. The Company shall register the new Warrant Certificate in the name of the Holder or in such name or names of its transferee pursuant to paragraph 6 hereof as may be directed in writing by the Holder and deliver the new Warrant Certificate to the Person or Persons entitled to receive the same.

(d) Upon surrender of this Warrant Certificate in conformity with the foregoing provisions, the Company shall transfer to the Holder of this Warrant Certificate appropriate evidence of ownership of the shares of Common Stock or other securities or property to which the Holder is entitled, registered or otherwise placed in, or payable to the order of, the name or names of the Holder or such transferee as may be directed in writing by the Holder, and shall deliver such evidence of ownership and any other securities or property to the Person or Persons entitled to receive the same.

(e) In no event may the Holder exercise these Warrants in whole or in part unless the Holder is an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "U.S. Securities Act").

3. *Exercise Restrictions*. Notwithstanding any other provision hereof, no Holder shall exercise these Warrants, if as a result of such conversion the holder would then become a "ten percent beneficial owner" (as defined in Rule 16a-2 under the Securities Exchange Act of 1934, as amended) of Common Stock. For greater certainty, the Warrants shall not be exercisable by the Holder or redeemed by the Company, if, after giving effect to such exercise, the holder of such securities, together with its affiliates, would in aggregate beneficially own, or exercise control or direction over that number of voting securities of the Company which is 9.99% or greater of the total issued and outstanding voting securities of the Company, immediately after giving effect to such exercise; provided, however, that upon a holder of these Warrants providing the Company with a Waiver Notice that such holder would like to waive the provisions of this paragraph 3 with regard to any or all shares of Common Stock issuable upon exercise of these Warrants, this paragraph 3 shall be of no force or effect with regard to those shares of Common Stock referenced in the Waiver Notice; provided, further, that this provision shall be of no further force or effect during the sixty-one (61) days immediately preceding the expiration of the term of these Warrants.

4. *Restrictive Legend*. Certificates representing shares of Common Stock issued pursuant to this Warrant shall bear a legend substantially in the form of the legend set forth on the first page of this Warrant Certificate to the extent that and for so long as such legend is required pursuant to applicable law.

6. *Covenants of the Company*.

(a) The Company hereby agrees that at all times there shall be reserved for issuance and delivery upon exercise of this Warrant such number of its authorized but unissued shares of Common Stock or other securities of the Company from time to time issuable upon exercise of this Warrant as will be sufficient to permit the exercise in full of this Warrant. All such shares shall be duly authorized and, when issued upon such exercise, shall be validly issued, fully paid and non-assessable, free and clear of all liens, security interests, charges and other encumbrances or restrictions on sale and free and clear of all preemptive rights.

(b) The Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) use its best efforts to obtain all such authorizations, exemptions or consents from any public

regulatory body having jurisdiction thereof as may be necessary to enable the Company to perform its obligations under this Warrant.

(c) Before taking any action which would cause an adjustment reducing the current Exercise Price below the then par value, if any, of the shares of Common Stock issuable upon exercise of the Warrants, the Company shall take any corporate action which may be necessary in order that the Company may validly and legally issue fully paid and non-assessable shares of such Common Stock at such adjusted Exercise Price.

(d) Before taking any action which would result in an adjustment in the number of shares of Common Stock for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

(e) The Company covenants that during the period the Warrant is outstanding, it will use its best efforts to comply with any and all reporting obligations under the Securities Exchange Act of 1934, as amended.

(f) The Company will take all such reasonable action as may be necessary (i) to maintain a Principal Market for its Common Shares in the United States and (ii) to assure that such Warrant Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Principal Market upon which the Common Stock may be listed.

(g) The Company shall preserve and maintain its corporate existence and all licenses and permits that are material to the proper conduct of its business.

(h) The Company will not close its shareholder books or records in any manner which prevents the timely exercise of this Warrant.

7. *Exchange, Transfer or Assignment of Warrant*; *Registration*.

(a) Each taker and holder of this Warrant Certificate by taking or holding the same, consents and agrees that the registered holder hereof may be treated by the Company and all other persons dealing with this Warrant Certificate as the absolute owner hereof for any purpose and as the person entitled to exercise the rights represented hereby.

(b) The Holder agrees that this Warrant is non-transferrable.

8. *Anti-Dilution Provisions*. The Exercise Price in effect at any time and the number and kind of securities purchasable upon the exercise of the Warrant shall be subject to adjustment from time to time upon the happening of certain events as follows:

(a) In case the Company shall (i) declare a dividend or make a distribution on its outstanding shares of Common Stock in shares of Common Stock, (ii) subdivide or reclassify its outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify its outstanding shares of Common Stock into a smaller number of shares, the number of Warrant Shares shall be proportionately adjusted to reflect such dividend, distribution, subdivision, reclassification or combination. For example, if the Company declares a 2 for 1 stock split and the number of Warrant Shares immediately prior to such event was 200,000, the number of Warrant Shares immediately after such event would be 400,000. Such adjustment shall be made successively whenever any event listed above shall occur.

(b) Whenever the number of Warrant Shares is adjusted pursuant to Subsection (a) above, the Exercise Price shall simultaneously be adjusted by multiplying the Exercise Price immediately prior to such event by the number of Warrant Shares immediately prior to such event and dividing the product so obtained by the number of Warrant Shares, as adjusted. If an Exercise Price has not yet been established, an adjustment thereof shall be deferred until one is established pursuant to the terms of this Warrant.

(c) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least five percent (5%) in such price; provided, however, that any adjustments which by

reason of this Subsection (c) are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder. All calculations under this Section 7 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

(d) Whenever the Exercise Price is adjusted, as herein provided, the Company shall promptly cause a notice setting forth the adjusted Exercise Price and adjusted number of Shares issuable upon exercise of each Warrant to be mailed to the Holder. The Company may retain a firm of independent certified public accountants selected by the Board of Directors (who may be the regular accountants employed by the Company) to make any computation required by this Section 7, and a certificate signed by such firm shall be conclusive evidence of the correctness of such adjustment.

(e) In the event that at any time, as a result of an adjustment made pursuant to Subsection (a) above, the Holder of this Warrant thereafter shall become entitled to receive any shares of the Company, other than Common Stock, thereafter the number of such other shares so receivable upon exercise of this Warrant shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock contained in Subsection (a), above.

(f) Irrespective of any adjustments in the Exercise Price or the number or kind of shares purchasable upon exercise of this Warrant, Warrants theretofore or thereafter issued may continue to express the same price and number and kind of shares as are stated in this Warrant.

(g) In case at any time or from time to time conditions arise by reasons of action taken by the Company, which in the reasonable opinion of its Board of Directors, are not adequately covered by the provisions of Section 7 hereof, and which might materially and adversely affect the exercise rights of the Holder hereof, the Board of Directors shall appoint a firm of independent certified public accountants, which may be the firm regularly retained by the Company, which will give their opinion upon the adjustment, if any, on a basis consistent with the standards established in the other provisions of Section 7 necessary with respect to the Exercise Price then in effect and the number of shares of Common Stock for which the Warrant is exercisable, so as to preserve, without dilution, the exercise rights of the Holder. Upon receipt of such opinion, the Board of Directors shall forthwith make the adjustments described therein.

9. *Loss or Destruction of Warrant*. Upon receipt by the Company of evidence satisfactory to it (in the exercise of its reasonable discretion) of the loss, theft, destruction or mutilation of this Warrant Certificate, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Warrant Certificate, if mutilated, the Company shall execute and deliver a new Warrant Certificate of like tenor and date.

10. *Notices*. Any notice, demand or delivery authorized by this Warrant Certificate shall be in writing and shall be given to the Holder or the Company, as the case may be, at its address (or telecopier number) set forth below, or such other address (or telecopier number) as shall have been furnished to the party giving or making such notice, demand or delivery:

If to the Company: TIMBERLINE RESOURCES CORPORATION
101 East Lakeside Avenue
Coeur d'Alene, ID 83814
Attn: Steven Osterberg, CEO
Fax: 208-664-4860

With a copy to: Dorsey & Whitney LLP
1400 Wewatta Street
Suite 400
Denver, CO 80202-5549
Fax: 303-629-3450
Attention: Jason K. Brenkert, Esq.

If to the Holder: at the address set forth on the last page of this Warrant.

Each such notice, demand or delivery shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified herein and the intended recipient confirms the receipt of such telecopy or (ii) if given by any other means, when received at the address specified herein.

11. *Rights of the Holder*. Prior to the exercise of any Warrant, the Holder shall not, by virtue hereof, be entitled to any rights of a shareholder of the Company, including, without limitation, the right to vote, to receive dividends or other distributions, to exercise any preemptive right or any notice of any proceedings of the Company except as may be specifically provided for herein.

12. *GOVERNING LAW*. THIS WARRANT CERTIFICATE AND ALL RIGHTS ARISING HEREUNDER SHALL BE CONSTRUED AND DETERMINED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF DELAWARE, AND THE PERFORMANCE THEREOF SHALL BE GOVERNED AND ENFORCED IN ACCORDANCE WITH SUCH LAWS.

13. *Amendments; Waivers*. Any provision of this Warrant Certificate may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by the Holder and the Company, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

14. *Company Reorganization.* In the event of any sale of substantially all the assets of the Company or any reorganization, reclassification, merger or consolidation of the Company where the Company is not the surviving entity, then as a condition to the Company entering into such transaction, the entity acquiring such assets or the surviving entity, as the case may be, shall agree to assume the Company's obligations hereunder.

****

IN WITNESS WHEREOF, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of May 8, 2019.

TIMBERLINE RESOURCES CORPORATION

By:_____

Name: Steven A. Osterberg

Title: President & Chief Executive Officer

HOLDER:

(Name and address)

Exhibit 10.29

LIMITED LIABILITY COMPANY AGREEMENT

OF LOOKOUT MOUNTAIN LLC

Dated effective as of June 28, 2019

THE SALE OF INTERESTS IN THE COMPANY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR QUALIFIED UNDER ANY STATE SECURITIES LAWS IN RELIANCE ON EXEMPTIONS FROM REGISTRATION. INTERESTS MAY NOT BE OFFERED OR SOLD ABSENT AN EFFECTIVE REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND QUALIFICATION UNDER APPLICABLE STATE SECURITIES LAWS, UNLESS EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION REQUIREMENTS ARE AVAILABLE. THE COMPANY HAS THE RIGHT TO REQUIRE ANY POTENTIAL TRANSFEROR OF AN INTEREST TO DELIVER AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY BEFORE ANY TRANSFER TO THE EFFECT THAT EXEMPTIONS FROM APPLICABLE REGISTRATION AND QUALIFICATION REQUIREMENTS ARE AVAILABLE FOR THE TRANSFER. IN ADDITION, THIS AGREEMENT CONTAINS ADDITIONAL SUBSTANTIAL RESTRICTIONS ON THE TRANSFER OF INTERESTS.

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APPENDIX AND EXHIBITS

LIMITED LIABILITY COMPANY AGREEMENT
OF
LOOKOUT MOUNTAIN LLC

This Limited Liability Company Agreement (this "**Agreement**") is effective as of June 28, 2019 (the "**Effective Date**"), between Timberline Resources Corp., a Delaware corporation ("**Timberline**"), and PM&Gold Mines, Inc., a Nevada corporation ("**PM&G**"), as the Members.

Recitals

A. Timberline owns, through its indirect, wholly-owned subsidiary, BH Minerals USA, Inc., certain Properties in Eureka County, Nevada as described in **Exhibit A**.

B. Timberline and PM&G have caused the formation of the Company to own the Properties and to conduct the Operations contemplated by this Agreement.

In consideration of the covenants and agreements in this Agreement, the parties to or bound by this Agreement agree as follows:

ARTICLE I
DEFINITIONS AND INTERPRETATION

1.1 Definitions»

. In addition to the capitalized terms defined in other provisions of this Agreement, as used in this Agreement, capitalized terms have the meanings given in Appendix A.

1.2 Interpretation»

. In interpreting this Agreement, except as otherwise indicated in this Agreement or as the context may otherwise require, (a) the words "include," "includes," and "including" are deemed to be followed by "without limitation" whether or not they are in fact followed by those words or words of similar import, (b) the words "hereof," "herein," "hereunder," and comparable terms refer to the entirety of this Agreement, including the Appendix or Exhibits, and not to any particular Article, Section, or other subdivision of this Agreement or Appendix or Exhibit to this Agreement, (c) any pronoun shall include the corresponding masculine, feminine, and neuter forms, (d) the singular includes the plural and vice versa, (e) references to any agreement (including this Agreement) or other document are to the agreement or document as amended, modified, supplemented, and restated now or from time to time in the future, (f) references to any Law are to it as amended, modified, supplemented, and restated now or from time to time in the future, and to any corresponding provisions of successor Laws, (g) except as otherwise expressly provided in this Agreement, references to an "Article," "Section," "preamble," "recital," or another subdivision, or to the "Appendix" or an "Exhibit," are to an Article, Section, preamble, recital or subdivision of this Agreement, or to the "Appendix" or an "Exhibit" to this Agreement, (h) references to any Person include the Person's respective successors and permitted assigns, (i) references to "dollars" or "$" shall mean the lawful currency of the United States of America, (j) references to a "day" or number of "days" (without the explicit

qualification of "Business") refer to a calendar day or number of calendar days, (k) if interest is to be computed under this Agreement, it shall be computed on the basis of a 360-day year of twelve 30-day months, (l) if any action or notice is to be taken or given on or by a particular calendar day, and the calendar day is not a Business Day, then the action or notice may be taken or given on the next succeeding Business Day, and (m) any financial or accounting terms that are not otherwise defined herein shall have the meanings given under GAAP.

1.3 Coordination With Exhibits»

. Notwithstanding Section 1.2(g), except as otherwise expressly provided in an Exhibit, references in the Exhibit to an "Article," or "Section" or another subdivision, are to an "Article," "Section" or subdivision of the Exhibit. Except as otherwise provided in an Exhibit, capitalized terms used in the Exhibit that are not defined in the Exhibit shall have the meanings given to them in this Agreement. If any provision of an Exhibit, other than **Exhibit C**, conflicts with any provision in the body of this Agreement, the provision in the body of this Agreement shall control. If any provision of **Exhibit C** conflicts with any provision in the body of this Agreement, the provision in **Exhibit C** shall control.

ARTICLE II
THE LIMITED LIABILITY COMPANY

2.1 General»

. The Company has been duly organized under the Act by the filing of its certificate of formation in the Office of the Delaware Secretary of State by an authorized person. The Members agree that their rights relating to the Company, the Assets and Operations shall be subject to and governed by this Agreement. To the fullest extent permitted by the Act, this Agreement shall control as to any conflict between this Agreement and the Act or as to any matter provided for in this Agreement that also is provided for in the Act.

2.2 Name»

. The name of the Company shall be "Lookout Mountain LLC." The Management Committee shall accomplish any filings or registration required by jurisdictions in which the Company conducts its Business.

2.3 Purposes»

. The Company is formed for the following purposes:

(a) to conduct Exploration within the Properties and the Area of Interest;

(b) to acquire additional real property and other interests within the Area of Interest;

(c) to evaluate the possible Development and Mining of the Properties and other Assets acquired within the Area of Interest;

(d) to engage in Development and Mining on the Properties and other Assets acquired within the Area of Interest;

(e) to engage in the marketing, sale and distribution of Products, to the extent provided in Section 7.3; and

(f) to perform any other activities necessary, appropriate or incidental to any of the foregoing or to satisfy or comply with Environmental Compliance obligations, Continuing Obligations and Laws.

2.4 Limitation

. Unless the Members otherwise agree in writing, the Business of the Company shall be limited to the purposes described in Section 2.3, and nothing in this Agreement shall be construed to enlarge those purposes.

2.5 The Members

. The Management Committee shall maintain a register containing the name, business address, Interest and Representatives of each Member, updated to reflect the admission of additional or substituted Members, changes of address, changes in Interests and other changes in accordance with this Agreement, and shall provide the updated register to any Member promptly after the written request of the Member.

2.6 Issuance of Additional Interests

. Additional Interests may be issued for such Capital Contributions and with such rights, privileges and preferences as shall be unanimously approved by the Management Committee. If the issuance of additional Interests has been properly approved under this Section 2.6, the Persons to whom such additional Interests have been issued shall automatically be admitted to the Company as Members.

2.7 Term

. The Company has perpetual existence; *provided*, that the Company shall be dissolved upon the occurrence of an event described in Section 9.3.

2.8 Registered Agent; Offices

. The initial registered office and registered agent of the Company are in the Company's certificate of formation. The Management Committee may from time to time designate a successor registered office and registered agent and may amend the certificate of formation of the Company to reflect the change without the approval of the Members. The location of the principal place of business of the Company shall be Management Committeesuch location selected by the Management Committee.

ARTICLE III
INTERESTS; CAPITAL CONTRIBUTIONS

3.1 Interests»

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(a) Initial Interests. The initial Interest of Timberline is 49%. The initial Interest of PM&G is 51%.

(b) Adjustments to Interests. The Interests of the Members shall be adjusted (i) upon the resignation or deemed resignation of a Member under Sections 3.3, 3.6(d) or 9.1 or upon the redemption of a Member's Interest, to reflect the cancellation of the Member's Interest, (ii) upon an election by a Non-Contributing Member to contribute less to an adopted Program and Budget than the percentage reflected by the Non-Contributing Member's Interest, or an election by a Contributing Member to make an Excess Contribution of an Underfunded Amount, in each case as provided in Section 6.6, (iii) upon the recalculation or restoration of Interests after the completion of a Program and Budget under Section 6.7, (iv) upon the default by a Member in making its required Capital Contributions to an adopted Program and Budget, followed by a proper election by the Non-Defaulting Member under Section 3.6(c), (v) upon the Transfer by a Member of all or less than all of its Interest under Article X, and (vi) upon the issuance of additional Interests in the Company under Section 2.6.

3.2 Initial Contributions»

.

(a) Timberline Initial Contribution. As its Initial Contribution, Timberline has contributed to the Company as of the Effective Date all of its right, title and interest in and to the Properties, the Underlying Agreements and the Existing Data described on **Exhibit A**. The Members agree that the fair market value of Timberline's Initial Contribution as of the Effective Date equals $5,800,000.

(b) PM&G Initial Contribution. As its Initial Contribution, PM&G shall (i) contribute to the Company and cause the Company to incur Qualifying Expenses as provided under Section 3.2(b)(i) (and Section 3.2(b)(ii) if an election is made by PM&G under Section 3.2(b)(ii) to earn the Phase II Interest and Timberline elects not to participate at the Phase II level) or make the payments and contributions required under Sections 3.2(b)(iii) during the Earn-In Period (the "**Minimum Work Requirement**"),and (ii) pay holding costs for the Leased Property under Section 3.2(b)(vi); *provided, however*, that PM&G may contribute and cause the Company to incur more Qualifying Expenses for any Annual Period than the minimum amount required, and may carry forward the excess amount to reduce the minimum amount required for the Phase I Contribution in any subsequent Annual Period. The minimum amount required to be contributed by PM&G and incurred by the Company in Qualifying Expenses for any Annual Period with respect to the Phase I Contribution, after taking into account the carry-forward of excess amounts from previous Annual Periods, is referred to as the "**Minimum Expense Amount**."

(i) Phase I Contribution. Subject to Sections 3.2(b)(iii) and (v), PM&G shall contribute to the Company and cause the Company to incur a minimum of $3,000,000 in Qualifying Expenses during each of the first two Annual Periods, so that by the end of the second Annual Period (the "**Phase I Due Date**"), PM&G has contributed to the Company and caused the Company to incur an aggregate of $6,000,0000 in Qualifying Expenses (the "**Phase I Contribution**"). The period from the Effective Date until the Phase I Due Date or such earlier date that PM&G has contributed and caused the Company to incur an aggregate of $6,000,000 in Qualifying Expenses and payments under Sections 3.2(b)(iii) and (vi) is referred to as the "**Phase I Earn-In Period**." PM&G shall promptly give notice to Timberline of the completion of its Phase I Contribution.

(ii) Phase II Contribution. At any time prior to or after completion of the Phase I Contribution, PM&G may elect to incur additional expenses outside of Phase I Contributions to advance the Properties towards completion of a Phase II Contribution (as defined below). Upon completion of Phase I and upon PM&G determining to initiate and/or continue Phase II Contributions by written notice to Timberline ("**Phase II Notice**"), Timberline may elect to move the Company to Joint Funding under Section 3.4 or grant PM&G the additional opportunity to earn the Phase II Interest (as defined below). Timberline will notify PM&G within 60 days of the Phase II Notice of its intent to move to Joint Funding and, if Timberline elects to move to Joint Funding, within 60 days of the Phase II Notice, Timberline will provide its pro-rata portion of the payment of any Phase II Contributions that may have occurred concurrently with Phase I activities (PM&G will provide proper documentation regarding expenditures made to-date on the Properties for Phase II in the Phase II Notice). PM&G shall provide the Phase II Notice to Timberline within 30 days after the completion of its Phase I Contribution. The failure of PM&G to provide such a Phase II Notice shall be deemed an election by PM&G not to make its Phase II Contribution. If Timberline elects to move to Joint Funding, all future costs incurred by the Company for the Properties, including but not limited to, the Development and Mining of the Properties will be split on a pro-rata basis pursuant to the terms hereof. If Timberline does not elect to move to Joint Funding, then PM&G will have the right to earn an additional Membership Interest (the "**Phase II Interest**") by making Capital Contributions in addition to its Phase I Contribution in an amount sufficient to complete a bankable feasibility study in accordance with Canadian National Instrument 43-101 and any applicable regulations of the United States Securities and Exchange Commission to establish proven and probable reserves (the "**Phase II Contribution**") for Qualifying Expenses on or before the end of the third Annual Period following the end of the Phase I Earn-In Period (the "**Phase II Due Date**"). If PM&G makes such an election, the period from the end of the Phase I Earn-In Period until the Phase II Due Date or such earlier date that PM&G has made its entire Phase II Contribution is referred to as the "**Phase II Earn-In Period**." The Phase I Earn-In Period and, if Timberline elects not to move to Joint Funding and PM&G elects to make its Phase II Contribution, the Phase II Earn-In Period, are referred to collectively as the "**Earn-In Period**." The Phase II Interest shall not be deemed issued to PM&G until the entire amount of its Phase II Contribution has been contributed to the Company, at which time the Interest of PM&G shall increase by 19% to 70%, and the Interest of Timberline shall decrease by 19% to 30%. For the avoidance of doubt, the increase in the Interest of PM&G upon the completion of its Phase II Contribution shall be deemed the issuance to PM&G of an additional Membership Interest in exchange for the Phase II Contribution, and not the sale by Timberline of any portion

of its Membership Interest. PM&G shall provide written notice to Timberline of its completion of its Phase II Contribution.

If PM&G elects not to proceed with the Phase II Contribution, either (i) after Timberline has determined not to move to Joint Funding following the completion of Phase I or (ii) after PM&G has begun but not completed the Phase II Contribution, PM&G must elect within 60 days by written notice to Timberline to either (i) move to Joint Funding under Section 3.4, (ii) permit Timberline to complete the Phase II Contribution, (iii) relinquish PM&G's Interests in exchange for either (A) the right to receive 10% of Net Proceeds (Net Proceeds, if any, shall be paid in accordance with **Exhibit D)** or (B) a 2% Net Smelter Returns Royalty to be paid in gold pursuant to a Net Smelter Returns Royalty Deed in the form of **Exhibit E** or (iv) sell its PM&G Interests to Timberline pursuant to Section 8.3 hereof. If PM&G elects to permit Timberline to complete the Phase II Contribution, and Timberline elects to complete the Phase II Contribution, then upon Timberline completing the Phase II Contribution, the Interest of PM&G shall decrease by 21%, to 30% and the Interest of Timberline shall increase by 21% to 70% ("**Timberline Phase II Interest**"). For the avoidance of doubt, the increase in the Interest of Timberline upon the completion of the Phase II Contribution shall be deemed the issuance to Timberline of an additional Membership Interest in exchange for the Phase II Contribution, and not the sale by PM&G of any portion of its Membership Interest. The Timberline Phase II Interest shall not be deemed issued to Timberline until the entire amount of its Phase II Contribution has been contributed to the Company. Timberline shall provide written notice to PM&G of its completion of the Phase II Contribution, if applicable.

Upon completion of the Phase II Contribution by PM&G, Timberline must elect within 30 days by written notice to PM&G to either (i) move to Joint Funding under Section 3.4, (ii) relinquish Timberline's Interests in exchange for either (A) the right to receive 10% of Net Proceeds (Net Proceeds, if any, shall be paid in accordance with **Exhibit D)** or (B) a 2% Net Smelter Returns Royalty to be paid in gold pursuant to a Net Smelter Returns Royalty Deed in the form of **Exhibit E** or (iii) sell its Timberline Interests pursuant to Section 8.3 hereof.

(iii) In Lieu Payments. If PM&G fails or elects not to incur the Minimum Expense Amount during any Annual Period in the Phase I Earn-in Period and the failure is not excused by a Force Majeure Event, then, in order to satisfy the Minimum Work Requirement for the Annual Period and continue to have the right to complete its Phase I Contribution without a resignation under Section 3.3, PM&G shall make a payment to Timberline equal to (A) the Minimum Expense Amount for the Annual Period *minus* (B) the Qualifying Expenses incurred by PM&G during the Annual Period. Any such payment shall be made within 30 days after the end of the Annual Period.

(iv) Control of Operations. During the Phase I Earn-In Period, Timberline shall control all day to day Operations of the Company subject to approval of Programs and Budgets by the Management Committee. During the Phase II Earn-In Period, if applicable, either PM&G, if PM&G has elected to proceed with the Phase II Contribution, or Timberline, if PM&G has elected not to proceed with the Phase II Contribution and Timberline has so elected, will have the sole right to determine the nature, timing, scope, extent and method of all Operations without any obligation to hold meetings of the Management Committee, to prepare Programs and Budgets for review, comment or approval by the Management Committee,

or to obtain the approval or consent of Timberline, PM&G or the Management Committee, as applicable. In conducting such Operations during the Phase II Earn-In Period, PM&G or Timberline, as the case may be, shall, subject to Sections 5.4 and 5.5, have all of the rights, powers and obligations of the Management Committee under Article V, except that PM&G or Timberline, as applicable, shall not have right, power or obligation to perform any activities described in clauses (f)(ii), (iii), (vii), (viii), (ix), (x) or (xi) of Section 5.2 or clauses (g), (i) or (k) of Section 5.3 that would otherwise require approval of Timberline, PM&G or the Management Committee without obtaining the requisite approval as provided in those Sections. For all such Operations during the Phase II Earn-In Period, PM&G or Timberline, as applicable, shall provide for the reservation of funds to cover reasonably anticipated Environmental Compliance expenses, which shall constitute Qualifying Expenses, and upon completion of its Phase II Contribution, PM&G or Timberline, as applicable, shall transfer any reserved but unexpended funds to the Environmental Compliance Fund established under Section 2.14 of **Exhibit B**.

(v) Proof of Expenditures. During the Phase I Earn-in Period, the Management Committee shall (A) within 60 days after the end of each Annual Period, provide Timberline with a written statement of Qualifying Expenses, certified as being complete and accurate by the Management Committee, and (B) promptly after a written request from Timberline or PM&G delivered during the six month period after providing such a written statement, make available for review by Timberline or PM&G during normal business hours, supporting backup invoices, statements and similar documents. If in connection with such a review the Members agree that an expenditure is not a valid Qualifying Expense, or that the amount of required Qualifying Expenses is deficient, PM&G may satisfy its Minimum Work Requirement with respect to the deficiency by making a payment to Timberline in the amount of the deficiency within 30 days after Timberline and PM&G agree as to the deficiency.

(vi) Payments of Holding Costs for Leased Property. During the Earn-In Period, as part of its Phase I Contribution and Phase II Contribution, as applicable, PM&G in Phase I and either PM&G or Timberline in Phase II, as applicable, shall timely make all payments required under the Leases, timely pay all mining claim maintenance fees required to maintain the unpatented mining claims comprising a portion of the Leased Property, and timely perform any work commitments contained in the Leases. All payments made or expenses incurred by PM&G under this Section 3.2(b)(vi) during any Phase I Contribution Annual Period shall be considered Qualifying Expenses and shall apply against the Minimum Expense Amount for the Annual Period. If PM&G has elected not to proceed with the Phase II Contribution, has permitted Timberline to proceed with the Phase II Contribution and Timberline has elected to proceed with the Phase II Contribution, then Timberline shall timely make all payments required under the Leases, timely pay all mining claim maintenance fees required to maintain the unpatented mining claims comprising a portion of the Leased Property, and timely perform any work commitments contained in the Leases.

(viii) Acceleration of Schedule. PM&G may, in its sole discretion, accelerate the schedule to complete the Minimum Work Requirement for the Phase I Contribution, the expiration of the Earn-In Period and the completion of its Phase I Contribution or Phase II Contribution by written notice to Timberline that PM&G has completed the Minimum Work Requirement for the Phase I Contribution or the Phase II Contribution, as applicable.

3.3 **Failure to Make Initial Contribution.**

(a) Failure to Complete Phase I Contribution. Before the completion by PM&G of its Phase I Contribution, PM&G may voluntarily resign as a Member immediately upon written notice to Timberline. In addition, if PM&G fails to make any portion of its Phase I Contribution under Section 3.2, and such failure is not cured before written notice from Timberline to PM&G of such failure, then PM&G shall be deemed to have resigned as a Member in breach of Section 3.2 within the meaning of Sections 18-306(2) and 18-502(c) of the Act effective as of the date of PM&G's notice.

(b) Effect of Failure to Complete Phase I Contribution. Upon PM&G's resignation (either voluntary or deemed) under Section 3.3(a), PM&G shall have no further obligation to make any remaining portion of its Initial Contribution, and, subject to the other provisions of this Section 3.3(b) and Section 9.1(a), the relinquishment of PM&G's Interest under Section 9.1(a) shall be the sole remedy for the failure of PM&G to complete its Initial Contribution; *provided, however*, that (i) if PM&G resigns during the first Annual Period and has not contributed to the Company and caused the Company to incur at least $2,000,000 in Qualifying Expenses (subject to PM&G's right to remedy a deficiency under Section 3.2(b)(v)), then PM&G shall pay to Company the amount (if any) by which $2,000,000 exceeds the Qualifying Expenses actually incurred by PM&G before the resignation, (ii) PM&G shall not be relieved of its obligation to fund any contractual obligations to third parties entered into by PM&G on behalf of the Company before the date of the resignation, and (iii) PM&G shall have the rights and obligations specified in Section 9.1(a).

(c) Failure to Complete Phase II Contribution. Following Timberline's election not to move to Joint Funding and PM&G's election to make its Phase II Contribution, PM&G may subsequently elect in its sole discretion by written notice to Timberline not to complete its Phase-II Contribution. The failure of PM&G to complete its Phase-II Contribution under Section 3.2 that is not cured within 30 days after written notice from Timberline to PM&G shall be deemed an election by PM&G not to complete its Phase II Contribution. Any election or deemed election by PM&G not to complete its Phase II Contribution shall not be considered a default. If PM&G completes its Phase I Contribution but elects not to make, or elects or is deemed to elect not to complete its Phase II Contribution, then it shall retain its initial Interest and its Initial Contribution; *provided, however*, that (i) its Contributed Capital shall consist only of its Phase I Contribution, and (ii) for all purposes of calculating Interests under this Agreement, any portion of the Phase II Contribution made by PM&G shall be deemed not to have been made. Following PM&G's election not to complete the Phase II Contribution, PM&G must make an election within 10 days pursuant to Section 3.2(b)(ii) as if PM&G had elected not to proceed with the Phase II Contribution.

If PM&G has elected not to proceed with the Phase II Contribution, has permitted Timberline to proceed with the Phase II Contribution pursuant to Section 3.2(b)(ii) and Timberline has elected to proceed with the Phase II Contribution, then Timberline may subsequently elect in its sole discretion by written notice to PM&G not to complete its Phase-II Contribution. The failure of Timberline to complete its Phase-II Contribution under Section 3.2 that is not cured within 30 days after written notice from PM&G to Timberline shall be deemed an election by Timberline not to complete its Phase II Contribution. Any election or deemed

election by Timberline not to complete its Phase II Contribution shall not be considered a default. If Timberline elects or is deemed to elect not to complete its Phase II Contribution, then it shall retain its initial Interest and its Initial Contribution; *provided, however*, that (i) its Contributed Capital shall consist only of its Initial Contribution, and (ii) for all purposes of calculating Interests under this Agreement, any portion of the Phase II Contribution made by Timberline shall be deemed not to have been made.

If both PM&G and Timberline fail to complete a Phase II Contribution, then the Company will move to Joint Funding under Section 3.4.

3.4 Joint Funding»

. From and after the earlier of (i) Timberline electing to enter into Joint Funding upon the completion of PM&G's Phase I Contribution, (ii) PM&G electing not to complete its Phase II Contribution under Section 3.3(c) and (iii) PM&G making its complete Phase II Contribution, the Members shall, subject to an election under Section 6.6, be obligated to make additional Capital Contributions to adopted Programs and Budgets in accordance with Section 3.5 *pro rata* in proportion to their respective Interests ("**Joint Funding**").

3.5 Cash Calls»

. After commencement of Joint Funding, on the basis of the adopted Program and Budget then in effect, the Management Committee shall submit to each Member at least 10 days before the last day of each month a billing for estimated cash requirements for the next month. Within 10 days after receipt of such a billing, each Member shall pay to the Company as an additional Capital Contribution under Section 3.4 its proportionate share of the estimated amount based on its Interest. Time is of the essence in the payment of such billings. Subject to receipt of such Capital Contributions or other funds under this Agreement, the Management Committee (a) shall maintain a minimum cash reserve of the amount the Management Committee estimates will be required to pay Company costs and expenses that are or will become payable within 60 days after the date of determination, and (b) shall have the right to maintain an additional cash reserve of up to the amount the Management Committee estimates will be required to pay Company costs and expenses that are or will become payable within an additional 3 months after the date of determination. All funds in excess of the immediate cash requirements of the Company shall be invested in one or more interest-bearing accounts reasonably selected by the Management Committee.

3.6 Remedies for Failure to Meet Cash Calls»

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(a) If a Member (the "**Delinquent Member**") has not contributed all or any portion of any additional Capital Contribution that such Member is or was required to contribute under Sections 3.4 and 3.5 (the "**Default Amount**"), then the other Member (the "**Non-Defaulting Member**") may elect to exercise its rights under either Section 3.6(b), 3.6(c) or 3.6(d) by written notice to the Delinquent Member within 10 Business Days after the occurrence of the default. In the case of an election under Section 3.6(b) or 3.6(c), the Non-Defaulting

Member shall pay the entire Default Amount to the Company on behalf of the Delinquent Member within such 10 Business Day period.

(b) If the Non-Defaulting Member makes an election under this Section 3.6(b), the payment by the Non-Defaulting Member of the Default Amount shall be treated as a loan (a "**Default Loan**") from the Non-Defaulting Member to the Delinquent Member, and a Capital Contribution of that amount to the Company by the Delinquent Member, with the following results:

(i) the amount of the Default Loan shall bear interest at the Default Rate from the date that the Non-Defaulting Member makes the Default Loan until the date that the Default Loan, together with all accrued and unpaid interest, is repaid by the Delinquent Member to the Non-Defaulting Member or from distributions as provided in Section 3.6(b)(ii) (with all payments or distributions being applied first to accrued and unpaid interest and then to principal);

(ii) all distributions (or sales of Products by the Company under Section 7.3 and distributions of the proceeds of such sales under Section 7.1(b)) that otherwise would be made to the Delinquent Member after the date of the default (whether before or after the dissolution of the Company) instead shall be made to the Non-Defaulting Member until the Default Loan and all accrued and unpaid interest have been paid in full to the Non-Defaulting Member;

(iii) the principal balance of the Default Loan and all accrued and unpaid interest shall be due and payable in whole within 5 Business Days after written demand to the Delinquent Member by the Non-Defaulting Member;

(iv) after any default in the payment of the principal of or interest on the Default Loan, the Non-Defaulting Member may (A) again make an election by notice to the Delinquent Member to convert the unpaid balance of the Default Loan and all accrued and unpaid interest to a Capital Contribution by the Non-Defaulting Member, in which case the provisions of Section 3.6(c) shall apply, with the unpaid balance and all interest accrued thereon treated as the Default Amount for purposes of the calculations under Section 3.6(c), or (B) exercise any other rights and remedies granted to the Non-Defaulting Member or the Company under this Agreement or available at law or in equity as the Non-Defaulting Member may deem appropriate in its sole discretion to obtain payment by the Delinquent Member of the Default Loan, including the rights of a secured party under the Uniform Commercial Code with respect to the security interest granted under Section 3.7, all at the cost and expense of the Delinquent Member; and

(v) during the period that any such Default Loan is in default, all rights of the Delinquent Member or any Representative designated by the Delinquent Member to vote, veto or consent to any matter under this Agreement shall be suspended, and the Interest of the Delinquent Member and its Representatives shall be deemed not outstanding for purposes of determining whether a quorum exists at any meeting of the Management Committee or whether any specified percentage of votes required to adopt, consent to or approve any matter has been obtained.

(c) If the Non-Defaulting Member makes an election under this Section 3.6(c) or under Section 3.6(b)(iv)(A), the payment by the Non-Defaulting Member of the Default Amount shall be treated as a Capital Contribution by the Non-Defaulting Member to the Company on behalf of the Delinquent Member. In such case the Interest of the Delinquent Member shall be reduced by an amount (expressed as a percentage) equal to: (i) the Dilution Multiple; *multiplied by* the Default Amount; *divided by* (ii) the aggregate Contributed Capital of all Members (determined after taking into account the contribution of the Default Amount). The Interest of the Non-Defaulting Member shall be increased by the reduction in the Interest of the Delinquent Member. The foregoing adjustments shall be effective as of the date of the default (or in the case of remedies under Section 3.6(b)(iv)(A), the date of the default by the Delinquent Member in repaying the Default Loan).

(d) If the Non-Defaulting Member makes an election under this Section 3.6(d), then the Delinquent Member shall be deemed to have resigned from the Company in breach of Sections 3.4 and 3.5 within the meaning of sections 18-306(2) and 18-502(c) of the Act, and shall, in exchange for the consideration described in Section 9.1(b), relinquish its entire Interest in the Company in accordance with Section 9.1(f). An election under this Section 3.6(d) shall apply only in the case of a default relating to a Program and Budget covering in whole or in part Development or Mining.

(e) If the Non-Defaulting Member makes an election under Sections 3.6(b) through (d), then the applicable provisions of this Section 3.6 shall be the sole and exclusive remedies available to the Non-Defaulting Member for the default. If the Non-Defaulting Member does not make such an election (and if applicable, the required advance) within the 10 Business Day period described in Section 3.6(a), then the Non-Defaulting Member shall have, on its own behalf and on behalf of the Company, all of the rights and remedies available at law or in equity as the Non-Defaulting Member may deem appropriate in its sole discretion to obtain payment of the Default Amount, including the rights of a secured party under the Uniform Commercial Code with respect to the security interest granted under Section 3.7, all at the cost and expense of the Delinquent Member, but excluding the contractual rights and remedies under Section 3.6(b), 3.6(c) and 3.6(d), which shall be deemed waived. IN THE CASE OF AN ELECTION UNDER SECTION 3.6(b), 3.6(c) or 3.6(d), THE MEMBERS AGREE THAT THE LIQUIDATED DAMAGES DESCRIBED IN THIS SECTION 3.6 ARE A FAIR AND ADEQUATE MEASURE OF THE DAMAGES THAT WILL BE SUFFERED BY THE NON-DEFAULTING MEMBER AS A RESULT OF A BREACH BY A MEMBER OF ITS OBLIGATION TO MAKE CAPITAL CONTRIBUTIONS FOR CASH CALLS UNDER SECTIONS 3.4 AND 3.5 AND NOT A PENALTY.

3.7 Security Interest»

. Each Member hereunder grants to the other a security interest in its Interest, and any accessions thereto and any proceeds and products therefrom, to secure the payment obligations of the granting Member hereunder, including such Member's obligations to make Capital Contributions and to repay Default Loans. Each Member hereby authorizes the other to file and record all financing statements, continuation statements and other instruments necessary or desirable to perfect or effectuate the provisions of this Section 3.7. In connection with any foreclosure, transfer in lieu, or other enforcement of rights in the security interest granted in this

Section 3.7, notwithstanding any contrary provision in Article VIII, the acquiring Person shall, at the election of the remaining Member, automatically be admitted as a Member in the Company without any further action of the defaulting Member. In such case, the defaulting Member shall take all action that the non-defaulting Member may reasonably request to effectuate the admission of the transferee as a Member.

3.8 Return of Contributions»

. Except as expressly provided in this Agreement, no Member shall be entitled to the return of any part of its Capital Contributions or to be paid interest on either its Capital Account or its Capital Contributions. No Capital Contribution that has not been returned shall constitute a liability of the Company, the Management Committee or any Member. A Member is not required to contribute or to lend cash or property to the Company to enable the Company to return any Member's Capital Contributions. The provisions of this Section 3.8 shall not limit a Member's rights or obligations under Section 7.2.

ARTICLE IV
MEMBERS

4.1 Limited Liability»

. The liability of each Member shall be limited as provided by the Act. No Member or the members of the Management Committee, or any combination, shall be personally liable under any judgment of a court, or in any other manner, for any debt, obligation or liability of the Company, whether such debt, obligation or liability arises in contract, tort or otherwise, solely by reason of being a Member or a member of the Management Committee or any combination.

4.2 Company Indemnification of Members»

. Except as provided in Section 4.5, the Company shall indemnify, defend and hold harmless each Member and its Affiliates, and their respective directors, officers, employees, agents and attorneys from and against any and all Adverse Consequences incurred or suffered by them that arise out of or relate to (a) the Company or Operations, including Environmental Liabilities and Continuing Obligations, (b) any Assets distributed to such Member as an objecting Member under Section 10.2, but only to the extent arising out of or relating to Operations, including Environmental Liabilities and Continuing Obligations, conducted before the date of such distribution, and (c) any reimbursements by the Member under Section 4.4. In all cases of this Section 4.2, and without limiting Sections 4.3 or 4.4, indemnification shall be provided only out of and to the extent of the net assets of the Company, and no Member shall have any personal liability whatsoever for indemnification under this Section 4.2. Notwithstanding the previous provisions of this Section 4.2, the Company's indemnification obligations under this Section 4.2 as to third party claims shall be only with respect to Adverse Consequences not otherwise compensated by insurance carried for the benefit of the Company or carried by the Company for the benefit of the Members.

4.3 Member Indemnification»

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(a) Indemnification Obligations. Except as provided in Section 4.5, each Member (the "**Indemnifying Member**") shall indemnify, defend and hold harmless each other Member and its Affiliates, and their respective directors, officers, employees, agents and attorneys (collectively, the "**Indemnified Member Parties**") and the Company from and against any and all Adverse Consequences that arise out of or result from the Misconduct of the Indemnifying Member (including its Representatives in their capacity as members of the Management Committee).

(b) Notice. If any claim or demand is asserted against an Indemnified Member Party or the Company with respect to which the Indemnified Member Party or the Company may be entitled to indemnification under this Agreement, then the Indemnified Member Party shall cause notice of the claim or demand (together with a reasonable description), to be given to the Indemnifying Member promptly after the Indemnified Member Party has knowledge or notice of the claim or demand. Failure to promptly provide the notice shall not relieve the Indemnifying Member of its indemnification obligations, except to the extent the Indemnifying Member is materially prejudiced by the failure.

(c) Assumption of Defense by Indemnifying Member. The Indemnifying Member shall have the right, but not the obligation, by written notice to the Indemnified Member Party with a copy to the Company delivered within 30 days after the receipt of a notice under Section 4.3(b), to assume the entire control of the defense, compromise and settlement of the claim or demand that is the subject of the notice, including the use of counsel chosen by the Indemnifying Member, all at the sole cost and expense of the Indemnifying Member. Notwithstanding the foregoing, the Indemnified Member Party may participate in the defense at the sole cost and expense of the Indemnified Member Party. The assumption of the defense of the claim or demand by the Indemnifying Member shall constitute a waiver by the Indemnifying Member of its right to contest or dispute its indemnification obligation for the claim or demand. Any Adverse Consequences to the assets or business of the Indemnified Member Party or the Company caused by the failure of the Indemnifying Member to defend, compromise or settle a claim or demand in a diligent manner after having given notice that it will assume control of the defense, compromise and settlement of the matter shall be included in the Adverse Consequences for which the Indemnifying Member shall be obligated to indemnify the Indemnified Member Parties and the Company. Any settlement or compromise of any claim or demand by the Indemnifying Member shall be made only with the consent of the Indemnified Member Party, which may not be unreasonably withheld or delayed. An Indemnified Member Party shall not be considered unreasonable in withholding its consent unless the settlement or compromise includes a full release of all claims and liabilities against the Indemnified Member Parties and the Company arising out of or relating to the claim or demand, provides for the payment of only money damages, and the Indemnifying Member has provided to the Indemnified Member Parties assurance acceptable to the Indemnified Member Parties of the payment of such money damages immediately upon the settlement or compromise.

(d) Defense by Indemnified Member Party or Company. Before the assumption of the defense of any claim or demand subject to indemnification by an Indemnifying Member, the Indemnified Member Party or the Company may file any motion, answer or other pleading, or take such other action as it deems appropriate, to protect its interests or those of the Company or the Indemnifying Member. If it is finally determined that the Indemnifying

Member is responsible for indemnification of any such claim or demand, or if the Indemnifying Member elects to assume the defense of the claim or demand under Section 4.3(c), then the Indemnifying Member shall promptly reimburse the Indemnified Member Party or the Company for all costs and expenses incurred under the previous sentence. If the Indemnifying Member does not elect to control the defense, compromise and settlement of a claim or demand under Section 4.3(c), and it is finally determined that the Indemnifying Member is responsible for indemnification of the claim or demand, then the Indemnifying Member shall be bound by the results of the defense, compromise or settlement, and all costs and expenses incurred by the Indemnified Member Parties and the Company in conducting the defense, compromise or settlement shall be included in the Adverse Consequences for which the Indemnifying Member is obligated to indemnify the Indemnified Member Parties and the Company.

4.4 Member Reimbursement Obligations»

. Each Member shall be liable to each other Member (including its Representatives in their capacity as member of the Management Committee) to reimburse and pay to such other Members its respective share, based on Interests, of any and all Adverse Consequences incurred or suffered by such other Members and their Affiliates that arise out of or relate to (a) the Company or the Operations, including Environmental Liabilities and Continuing Obligations, and (b) any Properties distributed to the other Member as an objecting Member under Section 10.2, but only to the extent in the case of this clause (b) arising out of or relating to Operations, including Environmental Liabilities and Continuing Obligations, conducted before the date of such distribution. For purposes of this Section 4.4, each Member's share of such liability shall be equal to its Interest at the time of the actions, omissions or events giving rise to the Adverse Consequences (or as to any actions, omissions or events arising or existing before the Effective Date, such Member's initial Interest). Neither the resignation nor deemed resignation of a Member, any Transfer or redemption of all or any portion of a Member's Interest, any reduction of a Member's Interest, the distribution to the other Member of Properties under Section 10.2, nor the dissolution, liquidation nor termination of the Company, shall relieve a Member of its share of any such liability accruing before such resignation, deemed resignation, Transfer, redemption, reduction, distribution, dissolution, liquidation or termination. Notwithstanding the foregoing provisions of this Section 4.4, this Section 4.4 shall apply only in the case that the Member from whom the other Member is requesting reimbursement or any of its Affiliates is finally determined to be personally liable for the Adverse Consequences, and shall not be construed as a waiver or reduction of the limitations under the Act or other applicable Law of the liability of a Member or the Representatives of the Management Committee for Company debts, obligations and liabilities.

4.5 Coordination»

. Notwithstanding anything to the contrary in this Article IV, (a) the provisions of Sections 4.2, 4.3 and 4.4 shall not apply to (i) Adverse Consequences arising out of or relating to the breach of any representations or warranties under the Contribution Agreement that are covered by the indemnification obligations under the Contribution Agreement, or (ii) the reclamation obligations for which PM&G is solely responsible under Section 9.1(a), and (b) no Member, or any of its Affiliates, or any of their respective directors, officers, employees, agents or attorneys shall be entitled to indemnification or reimbursement under Sections 4.2, 4.3 and 4.4

for Adverse Consequences, to the extent the Adverse Consequences arise out of or result from the Misconduct of the Indemnifying Member (including its Representatives in their capacity as members of the Management Committee).

4.6 Exclusive Rights of Members»

. Notwithstanding anything in this Agreement to the contrary, no Person other than a Member (on its own behalf and on behalf of the Company and its Indemnified Member Parties) shall have the right to enforce any representation, warranty, covenant or agreement of a Member or the Representatives of the Management Committee under this Agreement or the Contribution Agreement, and specifically neither the Company nor any lender or other third party shall have any such rights, it being expressly understood that the representations, warranties, covenants and agreements contained in this Agreement and the Contribution Agreement shall be enforceable only by a Member (on its own behalf and on behalf of the Company and its Indemnified Member Parties) against another Member or the Representatives of the Management Committee. For the avoidance of doubt, the Company shall be bound by the provisions of this Agreement, but shall have no right to enforce those provisions against a Member or the Representatives of the Management Committee, such rights being exclusively vested in the Members. Any Member may bring a direct action on behalf of the Company against any other Member or the Representatives of the Management Committee without the requirement to bring a derivative action or otherwise satisfy the requirements of sections 18-1001 through 18-1004 of the Act or other similar requirements.

4.7 Meetings; Written Consent»

. Meetings of the Members shall not be required for any purpose. Any action required or permitted to be taken by Members may be taken without a meeting if the action is evidenced by a written consent describing the action taken, signed by all of the Members.

4.8 No Member Fees»

. Except as otherwise provided in this Agreement, no Member shall be entitled to compensation for attendance at Member meetings or for time spent in its capacity as a Member.

4.9 No State-Law Partnership»

. The Members intend that the Company not be a partnership (including a limited partnership) or joint venture, and that no Member, or Representative be a partner or joint venturer of any other Member, Management Committee or Representative for any purposes other than federal and state tax purposes, and this Agreement may not be construed to suggest otherwise.

4.10 No Implied Covenants; No Fiduciary Duties»

. The Parties covenant to undertake their respective obligations under this Agreement in accordance with the contractual duties of good faith and fair dealing. There are no implied covenants contained in this Agreement other than the contractual duty of good faith and fair dealing. The Members, the Management Committee and the Representatives shall not have any

fiduciary or other duties to the Company or the other Members except as specifically provided by this Agreement, and the Members', the Representatives', and the Management Committee's duties and liabilities otherwise existing at law or in equity are restricted and eliminated by the provisions of this Agreement to those duties and liabilities specifically set forth in this Agreement.

4.11 Other Business Opportunities»

. Except as provided in Sections 9.2 and 10.1, (a) each Member and its Representatives shall have the right independently to engage in and receive the full benefits from business activities, whether or not competitive with the Operations, without consulting the Company or any other Member, (b) the doctrines of "corporate opportunity" and "business opportunity" shall not be applied to any other activity, venture, or operation of any Member or Representative, and (c) no Member or Representative shall have any obligation to any other Member or the Company with respect to any opportunity to acquire any property outside the Area of Interest at any time, or within the Area of Interest after the termination of the Company.

ARTICLE V
COMPANY MANAGEMENT

5.1 Management Authority»

. During the Phase I Earn-In and after the commencement of Joint Funding, and except as delegated to an officer of the Company under Section 5.3, the Management Committee shall have the exclusive power and authority to approve Major Decisions, inlcuding Budgets and Programs. During the Phase II Earn-In, if any, the Member participating in the Phase II Earn-in shall manage the Operations of the Company pursuant to Section 3.2(b)(iv). After the commencement of Joint Funding, the Management Committee shall have the power and authority to make decisions that do not require the unanimous approval of the Members. In connection with the implementation, consummation or administration of any matter within the scope of the Management Committee's authority, the Management Committee is authorized, without the approval of the Members, to execute and deliver on behalf of the Company contracts, instruments, conveyances, checks, drafts and other documents of any kind or character to the extent the Management Committee deems it necessary or desirable. The Management Committee may delegate to officers, employees, agents, contractors or representatives of the Company any or all of its powers by written authorization identifying specifically or generally the powers delegated or acts authorized, but no such delegation shall relieve the Management Committee of its obligations hereunder.

5.2 Management Committee»

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(a) Organization and Composition. The Members hereby establish a committee (the "**Management Committee**") consisting of four representatives ("**Representatives**"), of which (i) two (2) Representatives shall be appointed by Timberline, and (ii) two (2) Representatives shall be appointed by PM&G. A Representative of the Member that holds greater than 50% of the Interests of the Members shall serve as the chair of the

Management Committee. Each Member may appoint one or more alternate Representatives to act in the absence of a regular Representative. Appointments of Representatives may be made or changed at any time by notice to the other Member. Representatives shall not be considered managers under the Act, but derive all of their right, power and authority from the Members. No Member or Representative shall have the power to bind the Company or to execute documents and instruments on behalf of the Company, unless such Member or Representative also is a officer duly authorized by the Management Committee to undertake such action or such power and authority has been delegated by the Management Committee to such Member or Representative, and then only in that capacity.

(b) Voting. Each Member, acting through its Representatives, shall vote on the Management Committee in accordance with its Interest. The Representatives appointed by Timberline shall vote as a group, and the Representatives appointed by PM&G shall vote as a group. If all Representatives appointed by a Member are not present at a meeting of the Management Committee, the Representatives appointed by such Member that are present shall have the entire Interest of the appointing Member. Whenever any provision of this Agreement requires or permits the vote, consent or approval of the Members or the Management Committee, such provision shall be deemed to require or permit, as applicable, the vote, consent or approval of Representatives with an Interest of greater than 71%, unless the provision specifically requires a greater percentage, or the consent or approval of a greater number or percentage of Members or Representatives.

(c) Meetings. Management Committee meetings shall be held at least quarterly, at such times and at such place as the Management Committee shall determine. In addition to regularly scheduled meetings, the Management Committee or any Representative may call a special meeting of the Management Committee upon 3 days' notice. In case of emergency, reasonable notice of a special meeting shall suffice. Unless an objection is expressly made, notice shall be deemed properly given and there shall be a quorum if at least one Representative appointed by each Member is present. Each notice of a meeting shall include an agenda or statement of the purpose of the meeting prepared by the Management Committee in the case of a regular meeting, or by the Management Committee or Representative calling the meeting in the case of a special meeting, but any matters may be considered at the meeting.

(d) Conduct of Meetings. Meetings of the Management Committee may be held by means of conference telephone or other communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in a meeting by such communications equipment shall constitute presence in person at the meeting. A selected Representative shall prepare minutes of all meetings and shall distribute copies of such minutes to the Representatives within seven Business Days after the meeting. The minutes, when approved by one or more Representatives appointed by each Member, shall be the official record of the decisions made by the Management Committee and shall be binding on the Management Committee and the Members. If the Representatives are unable to agree on the minutes within 30 days after receipt of the proposed minutes, then the minutes prepared by the selected Representative together with proposed objections submitted to the Management Committee before the expiration of such 30-day period shall be the official record of the meeting. The reasonable costs of the attendance of Representatives, officers and personnel at meetings shall be charged to the Business Account.

(e) Action Without a Meeting. Any action required or permitted to be taken at a meeting of the Management Committee may be taken without a meeting and without prior notice if the action is evidenced by a written consent describing the action taken, signed by at least one Representative of each Member.

(f) Major Decisions. During (A) the Phase I Earn-In Period, (B) any period of Joint Funding following the Phase I Earn-In Period if neither PM&G nor Timberline have elected to pursue a Phase II Contribution as provided in Section 3.2(b)(ii), (C) the Phase II Earn-in Period, but only in relation to sub-sections (ii), (iii), (vii), (viii), (ix), (x) and (xi) of this Section 5.2(f) (all other sub-sections hereunder being inapplicable during the Phase II Earn-In Period pursuant to the provisions of Section 3.2(b)(iv)), (D) any period following the completion by either PM&G or Timberline, as applicable, of the Phase II Contribution, but but only in relation to sub-sections (ii), (iii), (vii), (viii), (ix), (x) and (xi) of this Section 5.2(f) (all other sub-sections hereunder being inapplicable unless and until the Interests of the Member that completed the Phase II Contribution drops below 60% at which point all sub-sections of this Section 5.2(f) shall again become applicable), or (E) any other period not covered by the above provisions, neither the Management Committee, nor any Representative, nor any officer, employee or agent of the Company, shall have any authority to bind or take any action on behalf of the Company with respect to any Major Decision unless such Major Decision has been consented to or approved by the Management Committee by unanimous vote of the Management Committee representing 85% of the Interests. Each of the following matters shall constitute a "**Major Decision**":

(i) approval of a Program and Budget (other than the Initial Program and Budget), and any Amendment to any Program and Budget (including the Initial Program and Budget) in accordance with Article VI ; provided, that cost overruns of a Program and Budget that do not exceed 5% and expenditures with respect to emergencies under Section 6.10 shall be deemed to automatically amend such Program and Budget;

(ii) decisions to cease production for a period greater than 3 months for reasons other than regular maintenance or a Force Majeure Event;

(iii) acquisition or disposition of significant mineral rights or claims, other real property or water rights (including acquisition or disposition of significant patented and unpatented mining claims under Section 5.3(k)) outside of the ordinary course of business;

(iv) a decision to undertake Development or Mining on all or any portion of the Properties;

(v) a decision to undertake a pre-feasibility study or a feasibility study;

(vi) other than purchase money security interests or other security interests in Company equipment to finance the acquisition or lease of Company equipment used in Operations, the proposal or consummation of a Project Financing or the incurrence by the Company of any indebtedness for borrowed money that requires any of the following as security for the obligations arising under or with respect to such indebtedness: (A) an Encumbrance on all or any material portion of the Company's Assets, (B) the pledge by any Member of all or any

portion of its Interest, or (C) the guaranty by any Member or any Affiliate of any Member of any obligations of the Company; provided, that nothing in this clause (vi) shall be deemed to prohibit or restrict the right of a Member to create any Permitted Interest Encumbrance;

(vii) except as specifically contemplated in this Agreement, the redemption of all or any portion of an Interest;

(viii) the issuance of an Interest or other equity interest in the Company, or the admission of any Person as a new Member of the Company other than in accordance with Section 8.5(c); provided, that this clause (viii) shall not be deemed to prohibit or restrict the adjustment of Interests under Section 3.1;

(ix) a decision to grant authorization for the Company to file a petition for relief under any chapter of the United States Bankruptcy Code, Title 11 U.S.C. or to consent to such relief in any involuntary petition filed against the Company by any third party, or to admit in writing any insolvency of the Company or inability to pay its debts as they become due or to consent to any receivership (or similar proceeding) of the Company;

(x) the merger or amalgamation of the Company into or with any other entity;

(xi) the sale of all or substantially all of the Company's Assets;

(xii) except as specifically or generally authorized in this Agreement, any contract, agreement or undertaking between the Company, on the one hand, and any Member, Representative or Affiliate of a Member, on the other hand, or any amendment, modification or termination of, or waiver of any right under, any such contract, agreement or undertaking; and

(xiii) making any other decision or taking any other action that specifically requires the approval of the Members or the Management Committee under this Agreement.

5.3 Management Committee; Duties»

. The Company shall be managed by the Management Committee. During the Phase II Earn-In Period, the Member proceeding with the Phase II Contribution shall have those management powers and authorities set forth in Section 3.2(b)(iv), subject to the limitations set forth therein and as provided in Section 5.2(f). Subject to Sections 5.4 and 5.5 and the other provisions of this Agreement, the Management Committee shall have the following duties:

(a) Programs and Budgets. The Management Committee shall manage, direct and control Operations in accordance with adopted Programs and Budgets, and shall direct Representatives or officers of the Company to prepare and present to the Management Committee proposed Programs and Budgets under Section 6.3 and proposed Amendments under Section 6.5.

(b) Implementation. The Management Committee shall implement Major Decisions, shall make from Company funds all expenditures necessary to carry out adopted Programs, and shall promptly advise the Members if the Company lacks sufficient funds for the Management Committee to carry out its responsibilities under this Agreement.

(c) Procurement. The Management Committee shall (i) purchase or otherwise acquire all material, supplies, equipment, water, utility and transportation services required for Operations, such purchases and acquisitions to be made to the extent reasonably possible on the best terms available, taking into account all of the circumstances, and (ii) obtain such customary warranties and guarantees as are available in connection with such purchases and acquisitions.

(d) Title; Encumbrances. The Management Committee shall conduct such title examinations and cure such title defects as may be advisable in the Management Committee's reasonable judgment, and keep the Assets free and clear of Encumbrances, except for Permitted Encumbrances.

(e) Taxes. The Management Committee shall (i) make or arrange for all payments required by any Underlying Agreements, and (ii) pay all Taxes on Operations and Assets, except (A) Taxes determined or measured by a Member's revenue or net income and (B) Taxes on production of Products that are distributed in-kind to a Memberthe Management Committee shall have the right to contest the validity or amount of any Taxes the Management Committee deems to be unlawful, unjust, unequal or excessive, and to undertake such other steps or proceedings as the Management Committee may deem reasonably necessary to secure a cancellation, reduction, readjustment or equalization of such Taxes before such Taxes are required to be paid, but the Management Committee shall not permit or allow title to the Assets to be lost as the result of the nonpayment of any such Taxes.

(f) Compliance with Laws. The Management Committee shall (i) apply for all necessary Permits, (ii) comply with applicable Laws, (iii) promptly provide notice to the Management Committee of any allegations of a material violation of Laws, and (iv) prepare and file all reports or notices required by any Governmental Authority for Operations. The Management Committee shall timely cure or dispose of any violation of Laws through performance, or payment of fines and penalties, or both, the cost of which shall be charged to the Business Account.

(g) Litigation. The Management Committee shall prosecute and defend, but shall not initiate without the approval of the unanimous approval of theMembers, all litigation, arbitrations or administrative proceedings arising out of Operations. The Management Committee shall approve in advance any settlement involving payments, commitments or obligations.

(h) Insurance. The Management Committee shall obtain insurance for the benefit of the Company, the Members and the Management Committee as provided in **Exhibit F** or as may otherwise be determined from time to time by the Management Committee.

(i) Disposition of Assets. The Management Committee may dispose of Assets, whether by abandonment, surrender or Transfer in the ordinary course of business, except that Properties may be abandoned or surrendered only as provided in Section 10.2.

(j) Maintenance of Assets. The Management Committee shall perform all assessment and other work and pay all Governmental Fees required by Law in order to maintain the unpatented mining claims, mill sites and tunnel sites included within the Properties. The Management Committee may perform the assessment work under a common plan of exploration, and continued actual occupancy of such claims and sites is not required. The Management Committee shall not be liable for any determination by any Governmental Authority that the work performed by the Management Committee did not constitute the required annual assessment work or occupancy to preserve or maintain ownership of the claims; *provided* that the work was performed in accordance with accepted industry standards and the adopted Program and Budget. The Management Committee shall timely record with the appropriate county and file with the appropriate United States agency, any required affidavits, notices of intent to hold and other documents in proper form attesting to the payment of Governmental Fees, the performance of assessment work or intent to hold the claims and sites, in each case in sufficient detail to reflect compliance with applicable requirements.

(k) Changes to Mineral Rights. If authorized by the Management Committee, the Management Committee may (i) locate, amend or relocate any unpatented mining claim, mill site or tunnel site, (ii) locate any fractions resulting from such amendment or relocation, (iii) apply for patents or mining leases or other forms of mineral tenure for any such unpatented claims or sites, (iv) abandon any unpatented mining claims for the purpose of locating mill sites or otherwise acquiring from the United States rights to the ground covered thereby, (v) abandon any unpatented mill sites for the purpose of locating mining claims or otherwise acquiring from the United States rights to the ground covered thereby, (vi) exchange with or convey to the United States any of the Properties for the purpose of acquiring rights to the ground covered thereby or other adjacent ground and (vii) convert any unpatented claims or mill sites into one or more leases or other forms of mineral tenure under any Law hereafter enacted.

(l) Accounting. The Management Committee shall (i) keep and maintain all required accounting and financial records under the Accounting Procedure and in accordance with customary cost accounting practices in the mining industry, (ii) keep and maintain current balances of Contributed Capital, (iii) keep and maintain Capital Accounts of the Members in accordance with **Exhibit C**, and (iv) keep all Company accounts separate and segregated from the individual accounts of the Management Committee.

(m) Reporting; Audits. The Management Committee shall (i) provide the reports to the Members required under Section 6.11, (ii) permit the audits, inspections and access rights under Section 6.12, and (iii) obtain the independent audit required under Section 6.13.

(n) Environmental Compliance Plan. The Management Committee shall prepare an Environmental Compliance plan for all Operations consistent with the requirements of applicable Laws or contractual obligations and shall include in each proposed Program and Budget sufficient funding to implement the Environmental Compliance plan and to satisfy the financial assurance requirements of applicable Laws and contractual obligations pertaining to

Environmental Compliance. To the extent practical, the Environmental Compliance plan shall incorporate concurrent reclamation of Properties disturbed by Operations.

(o) Continuing Obligations. The Management Committee shall undertake to perform Continuing Obligations when and as economic and appropriate, whether before or after termination of Operations. The Management Committee shall have the right to delegate performance of Continuing Obligations to Persons having demonstrated skill and experience in relevant disciplines. As part of each proposed Program and Budget, the Management Committee shall specify the measures to be taken for performance of Continuing Obligations and the cost of such measures. Authorized representatives of each Member shall have the right from time to time to enter the Properties to inspect work directed toward satisfaction of Continuing Obligations, and to audit books, records, and accounts related thereto.

(p) Environmental Compliance Fund. Funds deposited into the Environmental Compliance Fund shall be maintained by the Management Committee in a separate, interest bearing cash management account, which may include money market investments and money market funds, or longer term investments approved by the Management Committee. Such funds shall be used solely for Environmental Compliance and Continuing Obligations, including committing such funds, interests in property, insurance or bond policies, or other security to satisfy Laws regarding financial assurance for the reclamation or restoration of the Properties, and for other Environmental Compliance requirements.

(q) Other Activities. The Management Committee shall undertake all other activities reasonably necessary to fulfill the foregoing.

(r) Delegation. The Management Committee shall have the right to carry out its duties and responsibilities under this Agreement through of officers of the Company or through Affiliates, agents, consultants or independent contractors, but no such Persons shall have any rights under this Agreement.

5.4 Standards of Care»

. Subject to Section 5.5, the Management Committee or an Acting Member shall discharge its duties under Section 5.3 or Section 3.2(b)(iv), as applicable, and conduct all Operations in a good, workmanlike and efficient manner, in accordance with sound mining and other applicable industry standards and practices, and in accordance with the terms and provisions of all Underlying Agreements and Permits pertaining to the Assets.

5.5 Exculpation»

. Notwithstanding any contrary provision of this Agreement, the Representatives shall not be liable or responsible to the Company or any Member and shall not be in breach or default of its duties under this Agreement for any act or omission (a) that is not caused by or attributable to the Representative's willful misconduct or gross negligence, (b) if the inability to perform results from (i) the failure of any Member or other Representatives to perform acts or to contribute amounts required under this Agreement, (ii) a lack of Company funds, to the extent the Management Committee has made all Capital Contributions required to be made by them under this Agreement, or (iii) during the Phase I Earn-In and after the commencement of Joint

Funding, the failure to carry out or perform in accordance with a Program and Budget for any period, if a Program and Budget has not been adopted for the period, or (c) taken in good faith reliance on an adopted Program and Budget or information, opinions, reports or statements presented by any other Member or Representative of any other Member, or by any other Person as to matters the Management Committee reasonably believes are within the other Person's professional or expert competence. The preceding sentence shall in no way limit any Person's right to rely on information to the extent provided in Section 18-406 of the Act.

5.6 Indemnification of Representatives»

. Subject to the limitations of the Act, the Company shall indemnify, defend and hold harmless the Representatives from and against any Adverse Consequences arising as a result of any act or omission of any such Representative with respect to the Company believed in good faith to be within the scope of authority conferred in accordance with this Agreement, except for willful misconduct or gross negligence.

(a) Contract Rights. The rights granted under this Section 5.6 are contract rights, and no amendment, modification or repeal of this Section 5.6 shall have the effect of limiting or denying any such rights with respect to actions taken, omissions, or proceedings arising before any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Section 5.6 could involve indemnification for negligence or strict liability. Notwithstanding the foregoing, the Company's indemnification of the the Representatives as to third party claims shall be only with respect to such Adverse Consequences that are not otherwise compensated by insurance.

(b) Advancement of Expenses. The rights to indemnification conferred in this Section 5.6 shall include the right to be paid or reimbursed by the Company the reasonable expenses incurred by any Person entitled to be indemnified who was, is or is threatened to be made a named defendant or respondent in an action, suit, proceeding or arbitration in advance of the final disposition of the action, suit, proceeding or arbitration and without any determination as to the Person's ultimate entitlement to indemnification; *provided*, that the payment of such expenses in advance of the final disposition or award of an action, suit, proceeding or arbitration shall be made only upon delivery to the Company of a written affirmation by such Person of his or its good faith belief that he or it has met the standard of conduct necessary for indemnification under this Section 5.6 and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Section 5.6 or otherwise.

(c) Non-Exclusive Rights. The right to indemnification and the advancement and payment of expenses conferred in this Section 5.6 are not exclusive of any other right that any such indemnified Person may have or acquire under any Law, provision of this Agreement, vote of the Management Committee or the Members or otherwise.

(d) Invalidity. If this Section 5.6 or any portion shall be invalidated on any ground by any court of competent jurisdiction or arbitration panel, then the Company shall indemnify and hold harmless the Representatives indemnified under this Section 5.6 as to the

Adverse Consequences to the full extent permitted by any portion of this Section 5.6 that has not been invalidated, and to the fullest extent permitted by applicable Law.

(e) Insufficient Funds. If the assets of the Company are insufficient to fund any indemnity to which any Representative is entitled under this Section 5.6, the Members shall make Capital Contributions to the Company (or if the Company has been terminated, pay to the indemnified Person) in accordance with their respective Interests to fund any such indemnification obligations. In the case of Continuing Obligations, proportionate liability of the Members for any indemnification hereunder arising from such Continuing Obligations shall be determined in accordance with Section 4.4.

5.7 Resignation; Removal; Replacement»

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(a) Voluntary Resignation. Any Representative may voluntarily resign at any time upon 2 months' prior notice to the Management Committee. Acceptance of such resignation shall not be necessary.

(b) Removal. Any Representative may be removed by notice of the Member such Representative represents on the Management Committee to the Management Committee for any reason at all, or by notice to the Member that such Representative represents and the Management Committee by the other Member for Misconduct; *provided*, such notice shall be delivered to the Member within 90 days after the date such other Member has notice or knowledge of the Misconduct giving rise to the removal right.

(c) Replacement. If a Representative resigns or is removed hereunder, the Member which the Representative represented on the Mangaement Committee shall have sole power and authority to appoint the replacement Representative.

(d) No Effect on Interest. The resignation or removal of a Person as aRepresentative shall not reduce the Interest of any Member or its right to a certain number of Representatives, or restrict the right of such Member to appoint Representatives to the Management Committee.

5.8 Payments to »

Representatives or Officers. The Management Committee may determine to compensate Representatives or officers for their services to the Company as determined in any Approved Program and Budget.

5.9 Affiliate Transactions»

. The Company shall not enter into any agreement or contract (including the payment of any fees or other compensation) with a Representative, any Affiliate of a Representative or any Member or any Affiliate of a Member, or any material modification or amendment to any such agreement or contract, except (a) on terms no less favorable than would be the case with unrelated third parties in arms' length transactions, (b) with the approval of the Representatives

of each Member that is not a party (and whose Affiliates are not a party) to the agreement, contract, modification or amendment, or (c) as specifically provided in this Agreement or in the then current approved Program and Budget; *provided* that the Members acknowledge that the services to be performed by the Management Committee may be delegated to any Affiliate of the Members or a Representative and performed by such Affiliate, and costs and charges for such services shall be paid and reimbursed by the Company from the Business Account to the same extent as if such services were performed directly by the Management Committee.

5.10 Changes to Mining Law»

. The Members are aware that the mining Laws of the United States or the State of Nevada pertaining to unpatented mining claims and millsites or activities thereon may be amended or new Laws may be enacted. In that event, the Management Committee shall have the option (but not the obligation, except to the extent required under Underlying Agreements) of maintaining the rights and obligations of the Company in and to the Properties and the lands covered thereby pursuant to those new or amended Laws, subject to this Agreement and to the extent allowable, including the right to convert the Owned Claims and the Leased Claims to any new property rights that may be created, and all of the terms and conditions of this Agreement shall apply to such new property rights. The Members agree to cooperate with the Management Committee in this regard.

ARTICLE VI
PROGRAMS AND BUDGETS; ACCOUNTING AND REPORTING

6.1 Initial Program and Budget»

. The initial Program and Budget, which has been adopted by the Members, is attached as **Exhibit G**. The initial Program and Budget covers the anticipated period for the Initial Contribution of PM&G.

6.2 Operations Under Programs and Budgets»

. Except as otherwise provided in this Agreement, Operations shall be conducted, expenses shall be incurred, and Assets shall be acquired consistent with adopted Programs and Budgets. Each Program and Budget shall provide for (a) accrual of reasonably anticipated Environmental Compliance expenses for all Operations contemplated under the Program and Budget, and (b) payment of all obligations of the Company under Underlying Agreements.

6.3 Presentation of Proposed Programs and Budgets»

. At least 60 days before the anticipated commencement of Joint Funding and not later than January 31 of each calendar year thereafter, the Management Committee shall delegate the preparation a proposed Program and Budget for the succeeding calendar year (or remaining portion of the calendar year, in the case of the first Program and Budget after the commencement of Joint Funding) or longer such period approved by the Management Committee, and submit the proposed Program and Budget for such calendar year or other period to the Management Committee for its review and approval. The proposed Program and Budget shall be accompanied by a notice of the date and time of the meeting to be held under Section 6.4 to

consider the proposed Program and Budget, which date shall not be less than 20 days after the submission of the proposed Program and Budget to the Management Committee.

6.4 **Approval of Proposed Programs and Budgets»**

. On or before the date that is 30 days after the submission of a proposed Program and Budget for the first period after the commencement of Joint Funding and on or before February 28 of each calendar year thereafter at a meeting of the Management Committee, the Representatives of each Member shall submit in writing to the Management Committee whether such Representatives (a) approve the proposed Program and Budget, (b) propose modifications to the proposed Program and Budget, or (c) reject the proposed Program and Budget. If the Representatives of a Member do not approve the proposed Program and Budget, then the Management Committee shall call another meeting to be held within 20 days after the first meeting to consider the Program and Budget and to vote on a revised Program and Budget. During such 20 day period, the Representatives shall negotiate in good faith to develop a revised Program and Budget that is acceptable to all of the Representatives, and shall deliver its revised Program and Budget to the Management Committee at or before the subsequent meeting but neither the Management Committee nor any Representatives shall have any obligation to agree to any particular modification to the Program and Budget during such negotiations. At the subsequent meeting to again vote on the Program and Budget (taking into account any revisions proposed by the Representatives during the negotiation period), the Representatives of each Member shall vote to either accept or reject the revised Program and Budget, but may not propose additional modifications. If one or more Representatives do not attend any meeting of the Management Committee, the purpose of which is to review and approve a Program and Budget or an Amendment, then the Representatives present at the meeting may approve the proposed Program and Budget, but no other action may be taken at the meeting.

6.5 **Amendments»**

. Any Representative may propose amendments ("**Amendments**") to any currently approved Program and Budget from time to time before incurring costs under the Amendment. The Representatives of each Member shall have 15 days after the proposal of an Amendment to submit in writing to the Management Committee one of the responses described in Section 6.4(a), (b) or (c) (substituting "Amendment" for "Program and Budget" in each case). If the Representatives of a Member fail to respond within the 15-day period, then those Representatives shall be deemed to have approved the proposed Amendment. If the Representatives of a Member timely submit to the Management Committee their rejection of, or proposed modifications to, the proposed Amendment, then a Representative may call a special meeting of the Management Committee under Section 5.2(c) to vote on an Amendment. If a Representative calls such a meeting, the Representatives shall negotiate in good faith to develop an Amendment that is acceptable to all of the Representatives, and shall deliver its revised Amendment to all the Representatives at or before the meeting. At the meeting to vote on the Amendment (taking into account any revisions made by the Management Committee during the negotiation period), the Representatives of each Member shall vote to either accept or reject the revised Amendment, but may not propose additional modifications. If the Amendment relates to Operations on existing Properties and does not increase the aggregate original Budget by more than 10% (taking into account other Amendments adopted after the date of the original Budget),

then the Members shall continue to participate in the Joint Funding of the Program and Budget, as amended, based on their original elections under Section 6.6. If the Amendment does not relate to Operations on existing Properties or increases the aggregate original Budget by more than 10% (taking into account other Amendments adopted after the date of the original Budget), then the Program and Budget, as amended, shall be treated as a new Program and Budget and each Member shall be entitled to make new elections under Section 6.6 as to their participation in Joint Funding with respect to the remaining period under the amended Program and Budget.

6.6 Election to Participate»

.

(a) By notice to the Management Committee (a "**Non-Contribution Notice**") within 20 days after the final vote adopting a Program and Budget, a Member (a "**Non-Contributing Member**") may elect to contribute to such Program and Budget in some lesser amount than in accordance with its Interest, or may elect not to contribute any amount to such Program and Budget. If a Member does not timely provide a Non-Contribution Notice to the Management Committee, such Member shall be deemed to have elected to contribute to the Program and Budget in proportion to its Interest as of the beginning of the period covered by the Program and Budget. The difference, if any, between the amount that the Non-Contributing Member would otherwise be required to contribute in accordance with its Interest and the amount, if any, that the Non-Contributing Member elects or is deemed to elect to contribute, is referred to as the "**Underfunded Amount**." Notwithstanding the foregoing provisions of this Section 6.6(a), a Member shall be obligated to contribute to any Program and Budget in at least the amount required to maintain its Interest at 10%, failing which it shall be subject to Section 9.1(c).

(b) If a Non-Contributing Member timely delivers a Non-Contribution Notice, and the other Member has or is deemed to have elected to contribute its proportion amount to the Program and Budget in accordance with its Interest, such other Member (the "**Contributing Member**") shall have the right (but not the obligation) to elect by notice to the Non-Contributing Member delivered within 10 days after its receipt of the Non-Contribution Notice, to contribute all or any portion (an "**Excess Contribution**") of the Underfunded Amount to such Program and Budget.

(c) If a Non-Contributing Member timely delivers a Non-Contribution Notice, the Interest of each Member shall, subject to Section 6.7, be adjusted, effective as of the beginning of the period covered by the Program and Budget, to equal a fraction, expressed as a percentage:

(i) the numerator of which equals:

(A) the Contributed Capital of the Member as of the beginning of the period covered by the Program and Budget; *plus*

(B) the amount, if any, that the Member has agreed to contribute to the Program and Budget; *plus*

(C) if the Member is a Contributing Member, the Excess Amount, if any, that the Contributing Member has agreed to contribute to the Program and Budget with respect to the Underfunded Amount; and

(ii) the denominator of which equals the sum of the amounts calculated under Section 6.6(c)(i) above for all Members.

(d) If a Non-Contributing Member delivers a Non-Contribution Notice and the Contributing Member does not elect to contribute the entire Underfunded Amount, the Representatives of the Contributing Member shall adjust the Program and Budget to the extent such Representatives reasonably deem necessary to take into account the reduced contributions. The Program and Budget as adjusted under this Section 6.6(d) shall replace the Program and Budget previously adopted by the Management Committee for the Program and Budget period.

6.7 Recalculation and Restoration for Actual Contributions»

.

(a) If a Non-Contributing Member timely delivers a Non-Contribution Notice for a Program and Budget and the Interests of the Members are adjusted under Section 6.6(c), then within 30 days after the completion of the Program and Budget, the Management Committee shall deliver a written report to the Members of the total amount of Capital Contributions actually made by the Members under cash calls for the Program and Budget.

(b) If the actual amount of Capital Contributions is more or less than the budgeted amount in the adopted Budget, the Interests shall be recalculated under Section 6.6(c) by substituting the actual amount of Capital Contributions made by each Member (including any deemed Capital Contributions made by the Non-Contributing Member under Section 6.7(c)) during the Program and Budget period for the estimated amounts used in calculating the adjustments to the Interests at the beginning of the Program and Budget period.

(c) If the actual amount of Capital Contributions is less than 50% of the budgeted amount in the adopted Budget, the Non-Contributing Member may elect to reimburse the Contributing Member for all (but not less than all) of the Excess Amount actually contributed by the Contributing Member by delivering a notice of its election to the Contributing Member within 15 days after receipt of the Management Committee's report. The notice shall be accompanied by payment in the amount of the actual Capital Contributions of the Excess Amount, together with interest at the Prime Rate from the date of each such Capital Contribution to the date paid. If the Non-Contributing Member makes this election, for all purposes under this Agreement (including the readjustment to the Interests under Section 6.7(b)), each Capital Contribution previously made by the Contributing Member for the Excess Amount shall instead be deemed to have been a loan from the Contributing Member to the Non-Contributing Member on the date of the contribution, followed by an immediate Capital Contribution of the same amount by the Non-Contributing Member to the Company.

(d) If the Interests are recalculated under Section 6.7(b), and either distributions were made, or any items of Profit, Loss or credit were allocated to the Members during the period covered by the Program and Budget based on the Interests as adjusted under

Section 6.6(c) at the beginning of the Program and Budget period, (i) in the case of distributions, the amount of subsequent distributions to be made to the Contributing Member shall be decreased, and the amount of subsequent distributions to the Non-Contributing Member shall be increased, until the Non-Contributing Member has received distributions from the Company, to the extent possible, in the amounts that the Non-Contributing Member would have received, and (ii) in the case of allocations, the Management Committee shall cause the Company to make such offsetting allocations of items of Profit, Loss or credit in a manner reasonably determined by the Management Committee, so that the Members have been allocated, to the extent possible, the amounts that the Members would have been allocated, in each case if the Members' Interests at the beginning of the period covered by the Program and Budget had equaled the Interests recalculated under Section 6.7(b), taking into account any reimbursement of the Excess Amount under Section 6.7(c).

6.8 Deadlock on Proposed Programs and Budgets»

. If the Members, acting through the Management Committee, fail to approve a Program and Budget by the beginning of the period to which the proposed Program and Budget applies, subject to the contrary direction of the Management Committee and to the receipt of necessary funds, the Management Committee shall continue Operations (a) if an initial Mining Program and Budget has not been adopted, at levels sufficient to maintain the then current Operations and Properties, and (b) if an initial Mining Program and Budget has been adopted, at levels substantially comparable with the last adopted Program and Budget. The Members shall continue to make Capital Contributions in accordance with the Interests applicable to the last adopted Program and Budget in response to capital calls from the Management Committee to fund such Operations during a deadlock.

6.9 Budget Overruns; Program Changes»

. If the Representatives or Affiliates of a Member delegated authority by the Management Committee exceed an adopted Budget (as amended under Section 6.5) by more than 10%, then the excess over 10%, unless directly caused by an emergency or unexpected expenditure made under Section 6.10 or unless otherwise authorized by the unanimous approval of the Management Committee, shall be at the sole cost and expense of such Member and shall not be considered a Capital Contribution or taken into account in the calculation of Interests. Budget overruns of 10% or less shall be considered costs and expenses of the Company, and shall be funded by the Members making additional Capital Contributions to the Company in proportion to their respective Interests.

6.10 Emergency or Unexpected Expenditures»

. In case of an emergency, the Management Committee may take any reasonable action it deems necessary to protect life, limb or property, to protect the Assets or to comply with Laws. The Management Committee may also make reasonable expenditures for unexpected events that are beyond its reasonable control and that do not result from a breach by it of its standard of care in Section 5.4, subject to Section 5.5. The Management Committee shall promptly provide notice to the Members of the emergency or unexpected expenditure, and shall be reimbursed for all resulting costs by the Company, which costs shall be funded by the Members making

additional Capital Contributions to the Company under Sections 3.4 and 3.5 in proportion to their respective Interests at the time the emergency or unexpected expenditures are incurred.

6.11 Monthly Reports»

. After the commencement of Joint Funding, the Management Committee shall promptly submit to the Members the following reports:

(a) monthly statements of account reflecting in reasonable detail the charges and credits to the Business Account during the preceding month;

(b) monthly progress reports that include statements of expenditures and comparisons of such expenditures to the adopted Budget;

(c) periodic summaries of data acquired by or on behalf of the Company;

(d) copies of any reports prepared by or on behalf of the Company concerning Operations;

(e) a detailed final report within 30 days after completion of each Program and Budget, which report shall include comparisons between actual and budgeted expenditures and comparisons between the objectives and results of Programs; and

(f) such other reports as the Management Committee may reasonably request.

6.12 Inspection Rights»

. The Management Committee shall (a) upon at least 10 days written request to the Management Committee and during normal business hours, provide to the Representatives, accountants, advisors and other representatives of each Member, access to, and the right to inspect and copy all maps, drill logs, core tests, reports, surveys, assays, analyses, production reports, operations, technical, accounting and financial records, and other information in the possession or control of the Management Committee pertaining to the Company or the Operations, and (b) upon at least 10 days written request to the Management Committee and during normal business hours, at the sole risk of the requesting Member, and subject to the safety requirements of applicable Laws and the Management Committee's reasonable safety policies and procedures, permit the Representatives, accountants, advisors and other representatives of each Member to inspect the Assets and Operations. No more than one such inspections shall be requested by any Member during any 3 month period. The requesting Member shall use commercially reasonable efforts to prevent any such inspections from unreasonably interfering with Operations or the other business and operations of the Management Committee. The cost and expense of any such access, inspection or copies shall be borne entirely by the requesting Member, and the requesting Member shall indemnify, defend and hold harmless the Company, the Management Committee and the Affiliates of the Management Committee, and their respective directors, officers, managers, employees and agents, from and against any Adverse Consequences for bodily injury or property damage arising from or caused by any such inspections.

6.13 **Independent Audit»**

.

(a) Upon request made by any Member within 24 months following the end of any calendar year (or, if the Management Committee has adopted an accounting period other than the calendar year, within 24 months after the end of such period), the Management Committee shall cause an independent accounting firm selected by the Management Committee (the "**Independent Accountant**") to conduct an independent audit of the financial statements of the Company for such calendar year (or other accounting period). Promptly after the completion of any such independent audit, the Management Committee shall deliver a copy of the report of the Independent Accountant on the financial statements of the Company, together with a detailed report of costs and expenditures of the Company (including all costs and expenditures for which the Management Committee sought reimbursement) for such year or other accounting period prepared in accordance with GAAP and reconciled to the financial statements audited by the Independent Accountant and to the monthly reports provided to the Members under Section 6.11. All written exceptions to and claims (other than exceptions or claims based on fraud) upon the Management Committee by any Member relating to costs and expenditures incurred by or on behalf of the Company for such year or other accounting period shall be made by written notice to the Management Committee delivered not more than 3 months after receipt of the audit report and related report of costs and expenditures or shall be deemed forever waived and released, unless a Member elects to have a Member Audit conducted under Section 6.13(b) for such year or period, written notice of which is timely delivered under Section 6.13(b), in which case any such exceptions and claims, if any, by such Member shall be made as provided in Section 6.13(b).

(b) In addition to any audit conducted under Section 6.13(a), each Member shall have the right to have an audit, review or procedures conducted of the books, records and accounts, including all charges to the Business Account, of the Company for any year or other accounting period of the Company (a "**Member Audit**"), by a firm of independent accountants selected by such Member in its sole discretion; *provided* that such accountants are independent of each Member and the Company. Written notice of a Member Audit shall be delivered to the Management Committee not later than 24 months after the end of the year or other accounting period to which the Member Audit relates and not less than one month prior to the date such Member Audit is to commence, unless an audit is to be conducted for such year or accounting period under Section 6.13(a), in which case such written notice shall be delivered to the Management Committee not later than 3 months after receipt by the requesting Member of the report of the Independent Accountant of its audit conducted under Section 6.13(a). A Member may request not more than one Member Audit for any calendar year or other accounting period. A Member Audit shall be conducted during normal business hours and shall not unreasonably interfere with Operations or the other business and operations of the Company. A copy of the independent accountant's report of the Member Audit shall be delivered to the Management Committee and each Member, together with all written exceptions to and claims upon the other Members by the requesting Member relating to costs and expenditures incurred by or on behalf of the Company for such year or other accounting period not more than 60 days after completion of the Member Audit, or any such exceptions or claims (other than exceptions or claims based on fraud) shall be deemed forever waived and released. Any dispute of the other Members with the

findings of any such Member Audit or with any claims or exceptions raised by the Member requesting the Member Audit shall be made by written notice to such Member within 30 days after the Member's receipt of the report for such Member Audit, or the right of the other Members to dispute any such findings shall be forever waived and released.

(c) Upon the final determination under this Section 6.13 or by a court of competent jurisdiction that (i) a Member has received an Administrative Charge or other payment or reimbursement in excess of that to which it was entitled, such Member shall reimburse the Company for such overpayment, regardless of whether such overpayment was the result of any bad faith, fraud, willful misconduct or gross negligence, or (ii) a Member is entitled to receive an Administrative Charge or other payment or reimbursement that exceeds the amount actually received by such Member, the Company shall promptly pay to the Member the amount of such underpayment, and if required, the Members shall make additional Capital Contribution to the Company in proportion to their respective Interests under Sections 3.4 and 3.5 to fund any such underpayment.

ARTICLE VII
DISTRIBUTIONS; DISPOSITION OF PRODUCTION

7.1 Distributions»

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(a) Generally. Except as otherwise provided in this Article VII, the aggregate amount of all distributions to the Members and the timing of all such distributions shall be determined by the Management Committee.

(b) Cash Distributions. Except as provided in Section 7.2, cash distributions shall be made to the Members *pro rata* in proportion to their respective Interests; *provided*, that (i) all cash resulting from the sale of Timberline Products under Section 7.3 shall be distributed to Timberline, and (ii) all cash resulting from the sale of PM&G Products under Section 7.3 shall be distributed to PM&G.

(c) Distributions In Kind. During the existence of the Company, no Member shall be entitled or required to receive as distributions from the Company any Company asset other than money. Upon the dissolution and winding-up of the Company, those Members that agree in writing may be distributed in-kind undivided interests in the Assets of the Company in accordance with Section 9.4. Except as otherwise provided in this Article VII or as otherwise determined by the Management Committee, (i) all distributions to the Members shall be in cash, (ii) no Member shall have the right to demand distributions in cash or in kind, and (iii) all distributions to the Members in kind shall be made to the Members *pro rata* in proportion to their respective Interests.

(d) Tax Distributions. Notwithstanding other provisions of this Article VII, prior to making non-liquidating distributions pursuant to any other provisions of this Section 7.1, the Company shall make cash distributions ("Tax Distributions") to the Members, *pro rata* in proportion to their relative positive Tax Distribution Amounts, until all positive Tax Distribution Amounts are reduced to zero. Amounts withheld and paid to a tax authority with respect to a

Member shall be treated as Tax Distributions made to the Member. Tax Distributions shall (i) be treated (for purposes of Section 7.1, but not for Capital Account purposes) as nonrecourse advances on future distributions payable to the Members under Section 7.1, (ii) reduce amounts otherwise distributable under the preceding provisions of this Section 7.1 to the recipient Members as quickly as possible, and (iii) reduce the Capital Account balances of the recipient Members in the same manner as other distributions. The Company shall use commercially reasonable efforts to cause Tax Distributions to be made within 30 days after the end of each calendar quarter, based on the Tax Distribution Amounts of each Member as of the end of each such quarter after giving effect to allocations pursuant to **Exhibit C** for such quarter.

7.2 Liquidating Distributions»

. Notwithstanding Section 7.1, all distributions made in connection with the sale or exchange of all or substantially all of the Company's assets and all distributions made in connection with the liquidation of the Company shall be made to the Members in accordance with their respective Capital Account balances at the time of distribution after taking into account the adjustments to the Capital Accounts under Section 5.2 of **Exhibit C**, all allocations of items of Profit and Loss under Article III of **Exhibit C**, all sales of Products and all distributions through the date of the final distribution. All distributions to the Members under this Section 7.2 shall be made in accordance with the time requirements under Treasury Regulations §§ 1.704-1(b)(2)(ii)(*b*)(*2*) and (*3*).

7.3 Disposition of Products»

.

(a) Disposition by the Company of Products shall be governed by this Section 7.3. On a monthly basis, all products produced by the Company during the month shall be apportioned between Timberline and PM&G in accordance with their relative Interests on the last day of the month, with the portion apportioned to Timberline referred to as "**Timberline Products**," and the portion apportioned to PM&G referred to as "**PM&G Products**." Except as otherwise provided in this Section 7.3, the Company shall dispose of Products under arrangements as may be approved by the Management Committee from time to time. Generally, except as adjusted pursuant to Section 7.3(b), Products shall be disposed of in the order in which produced, and each disposition of Products shall be treated as a disposition by the Company of Timberline Products and PM&G Products in proportion to the applicable Interests.

(b) The Management Committee shall, on a monthly basis, provide each Member a summary of the anticipated monthly production of Products for the following 12 months, and a summary of all outstanding agreements or commitments on behalf of the Company for the disposition of Products. Each Member (a "**Requesting Member**") may by notice to the Company (i) request to purchase all or any specified amount of any uncommitted portion of the Requesting Member's share of Products at such price and on such other terms as may be designated by the Requesting Member based on the London PM Fix of the Business Day prior to the request or such other publicly-available price quote as may be agreed upon by the Requesting Member and the Management Committee, and (ii) request that the Management Committee enter into a purchase agreement with a designated third party for all or any specified

portion of the Requesting Member's share of Products, at such price and on such other terms as may be specified by the Requesting Member based on the London PM Fix of the Business Day prior to the request or such other publicly-available price quote as may be agreed upon by the Requesting Member and the Management Committee. The Management Committee shall give effect to any such request, to the extent that doing so would not cause the Company to be in breach of any of its obligations to third parties. Following any such request, future sales or dispositions of Products by the Company shall be apportioned between the Members as reasonably determined by the Management Committee in order to give effect to such request, rather than as provided in Section 7.3(a).

(c) Any additional expenses or obligations incurred by the Company in the selling and separate disposition thereafter to or at the request of any Requesting Member of all or any portion of its share of Products, including any storage, freight to final destination, insurance, premiums, losses, claims, damages and liabilities, shall be an expense of such Member, and shall be reimbursed by such Member to the Company within 30 days after receipt of an invoice for the same from the Management Committee, or may be recovered by the Management Committee from amounts otherwise distributable to the Requesting Member. Any such reimbursement or recovery shall not be considered a Capital Contribution and shall not increase the Capital Account of the Requesting Member. In addition, any costs and expenses attributable to any disposition of Products apportioned between the Members in accordance with the last sentence of Section 7.3(b), rather than in accordance with Section 7.3(a), shall be apportioned between the Members in accordance with their relative interests in the Products being separately disposed of.

(d) Any costs of the Company for severance taxes, net proceeds taxes, ad valorem taxes and other taxes, fees or royalties imposed (including any potential federal royalties or fees that may be imposed in the future) in connection with the production (as opposed to the sale or disposition) of Products shall be an expense of the Company subject to monthly capital calls under Section 3.5 ("**Monthly Capital Calls**"). To the extent a Member fails to contribute to Monthly Capital Calls or timely make such reimbursements, the Management Committee shall have the right, but not the obligation, to recover from amounts otherwise distributable to such Member such amounts as are necessary to cover that Member's share of such costs. Any amounts so recovered shall be treated as distributed to the Member and contributed by the Member as part of a Monthly Capital Call.

(e) If a Member either (i) fails to contribute to an adopted Program and Budget that provides for Capital Contributions for operating costs, or (ii) fails to make required Capital Contributions for operating costs under Section 3.6, then the Management Committee may recover from amounts otherwise distributable to such Member such amounts as are necessary to pay that Member's share of the operating costs including interest at the Prime Rate for the period outstanding, and shall treat the amounts so recovered as having been distributed to the Member and contributed by the Member to the Company as otherwise required. In the event of such action, the Non-Contributing Member's Interest shall not be reduced under Section 3.6(c) unless and only to the extent that the amounts so recovered are insufficient to pay that Member's share of operating costs. For purposes of this Section 7.3(e), "operating costs" shall not include any capital expenditures, other than replacement capital costs.

ARTICLE VIII
TRANSFERS AND ENCUMBRANCES OF INTERESTS

8.1 Restrictions on Transfer»

. Except for Permitted Transfers, Permitted Encumbrances and Permitted Interest Encumbrances, no Member shall Transfer or create an Encumbrance on all or any part of its Interest. Any attempted Transfer of, or creation of an Encumbrance on, all or any portion of an Interest not in accordance with the terms of this Article VIII shall be null and void and of no legal effect.

8.2 Permitted Transfers and Permitted Interest Encumbrances»

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(a) To the extent not otherwise prohibited under Section 8.3, the following Transfers ("**Permitted Transfers**") are permitted:

(i) A Member may Transfer all or any portion of its Interest to the other Member without the approval of the Management Committee or any other Person;

(ii) Prior to the end of the Phase I Earn-In Period, a Member may Transfer all or any portion of its Interest to any Person other than the other Member only with the written approval of the other Member, which approval may be withheld in the sole and absolute discretion of such other Member;

(iii) A Member may Transfer all or any portion of its Interest in connection with the merger, amalgamation, consolidation or reorganization of such Member with or into any other Person without the approval of the other Member or the Management Committee or any other Person; *provided*, that the surviving entity in such merger, amalgamation, consolidation or reorganization (A) possesses all or substantially all of the stock, limited liability company or other equity interests, or all of the property rights and interests of the transferring Member, and (B) is subject to all or substantially all of the liabilities and obligations of the transferring Member; and

(iv) Following the end of the Phase I Earn-In Period, a Member may Transfer all or any portion of its Interest to any Person without the approval of the other Member or the Management Committee or any other Person; *provided* that such Member complies with the provisions of Section 8.4.

(b) To the extent not otherwise prohibited under Section 8.3, the following Encumbrances ("**Permitted Interest Encumbrances**") are permitted:

(i) A Member may create an Encumbrance on all or any portion of its Interest with the written approval of the other Member, which approval shall not be unreasonably withheld or delayed; and

(ii) A Member may create an Encumbrance on all (but not less than all) of its Interest to secure debt for borrowed money incurred for the purpose of satisfying such Member's Capital Contribution obligations under this Agreement without the approval of the other Member or the Management Committee or any other Person.

(c) Notwithstanding that Permitted Interest Encumbrances are permitted, any transferee in connection with the foreclosure or a Transfer or power of sale in lieu of foreclosure of any Permitted Interest Encumbrance shall be subject to all of the provisions of this Agreement, and shall not be admitted to the Company as a substitute Member except as provided in Section 8.5.

8.3 Additional Limitations on Transfers and Encumbrances»

. Notwithstanding Section 8.2:

(a) If a Transfer is made that causes the termination of the Company as a partnership for Federal income tax purposes, the transferring Member and the transferee shall jointly and severally indemnify, defend and hold harmless the other Member and its Member Indemnified Parties from and against any and all Adverse Consequences arising from such tax termination;

(b) No Transfer permitted by this Article VIII shall relieve the transferring Member of its share of any liability, whether accruing before or after such Transfer, that arises out of Operations conducted before such Transfer, including as provided in Section 4.4;

(c) The transferring Member and the transferee shall bear all tax consequences of any Transfer;

(d) If a Member Transfers less than all of its Interest, the transferring Member and its transferee shall thereafter act and be treated as one Member, with the Member with the greater Interest hereby appointed the agent and attorney-in-fact of the Member with the lesser Interest with respect to the exercise of all rights to vote, consent, approve or otherwise make any decisions with respect to the management or Operations or the Company;

(e) No Member shall create an Encumbrance on all or any portion of an Interest or any economic interest therein, unless the Encumbrance expressly is subordinate to the terms of any pledge or security interest of the Interest or portion thereof that secures or is contemplated by this Agreement to secure in the future any obligation of the Company to any third party lenders, including any Project Financing; and

(f) Only United States currency shall be used for Transfers for consideration.

8.4 Right of First Refusal»

.

(a) Except for Permitted Transfers described in Section 8.2(a)(i) through (a)(iv), no Member (the "**Selling Member**") may Transfer all or any portion of its Interest to any Person, unless the Selling Member first provides an offer notice (an "**Offer Notice**") to the other Member (the "**Notified Member**") stating that the Selling Member desires to Transfer all or a portion of its Interest, designating the specific portion of the Interest (the "**Offered Interest**") that the Selling Member desires to Transfer, and specifying the proposed purchase price (the "**Offered Price**") and all of the other proposed terms and conditions of the proposed Transfer of the Offered Interest (the "**Offered Terms**").

(b) The Notified Member shall have the right, but not the obligation, for a period of 20 Business Days after its receipt of the Offer Notice, to elect to purchase all, but not less than all, of the Offered Interest for the Offered Price and on the other Offered Terms. Any such election shall be made by providing notice of such election to the Selling Member within such 20 Business Day period.

(c) If the Notified Member timely elects to purchase the Offered Interest, the parties shall close the sale of the Offered Interest for the Offered Price and on the Offered Terms on the *later of* (i) 90 Business Days after the Selling Member provides the Offer Notice, or (ii) 5 Business Days after the receipt of all required consents and approvals, if any, with respect to such Transfer from all Governmental Authorities. If the Notified Member does not elect to purchase the Offered Interest or the Notified Member fails to close the purchase thereof within the time period specified above, the Selling Member may Transfer all, but not less than all, of the Offered Interest to any third-party purchaser during the *later of* (1) the 90 day period after the expiration of such 20 Business Day election period, or (2) if the Notified Member elects to purchase but fails to close within the time period specified above, the 90 day period after the expiration of such period, but only for a cash value of the consideration received by the Selling Member that is greater than or equal to the Offered Price and on the Offered Terms, and only in accordance with Section 8.3. If the Selling Member does not sell the Offered Interest in accordance with the terms described above within the foregoing 90 day period, the Selling Member shall again afford the Notified Member the purchase rights in this Section 8.4 with respect to any offer to sell, assign or dispose of all or any portion of the Offered Interest or any other Interest held by the Selling Member.

8.5 Substitution of a Member»

.

(a) Except as provided in Section 8.5(c), no transferee (by conveyance, foreclosure, operation of Law or otherwise) of all or any portion of an Interest shall become a substituted Member without the unanimous approval of the Representatives of the Management Committee, which approval may be withheld in the sole discretion of each such Representative. A transferee of an Interest that receives unanimous approval to become a Member shall succeed to all of the rights and interest of his transferor in the Company. A transferee of a Member that does not receive unanimous approval to become a Member shall not become a Member, and shall have no rights under this Agreement or the Act applicable to a Member.

(b) Except as provided in Section 8.5(c), if a Member shall be dissolved, merged or consolidated, its successor in interest shall have the same obligations and rights to profits or other compensation that such Member would have had if it had not been dissolved, merged or consolidated, except that the representative or successor shall not become a substituted Member without the unanimous approval of the Representatives of the Management Committee, which approval may be withheld in the sole discretion of each such Representative. Such a successor in interest that receives unanimous approval to become a Member shall succeed to all of the rights and interests of his predecessor in the Company. A successor in interest that does not receive unanimous approval to become a Member shall not become a Member, and shall have no rights under this Agreement or the Act applicable to a Member.

(c) Notwithstanding Sections 8.5(a) and (b), subject to compliance with Sections 8.3, 8.5(d), 8.6 and 8.7, a transferee of all or a portion of an Interest in connection with a Permitted Transfer shall automatically be admitted to the Company as a substituted Member with respect to the transferred interest without the consent of any other Member or the Management Committee.

(d) No Transfer of any interest in the Company otherwise permitted under this Agreement, including a Permitted Transfer, shall be effective for any purpose whatsoever until the transferee shall have assumed the transferor's obligations to the extent of the interest Transferred, and shall have agreed to be bound by all the terms and conditions of this Agreement, by written instrument in form and substance reasonably satisfactory to the non-transferring Members.

(e) Upon the unanimous determination of the Management Committee that a transferee or the successor or representative of a Member has met the requirements for admission as a Member, the Management Committee shall have the authority and duty to amend this Agreement and to execute on behalf of the Members and the Company such amendments and other documents to the extent necessary to reflect the admission of such transferee as a substituted Member.

(f) Upon the admission of a transferee as a substituted Member, the transferor shall have no further obligations under this Agreement with respect to that portion of its Interest Transferred to the transferee; *provided,* that no Member or former Member shall be released, either in whole or in part, from any liability of such Member to the Company or the other Members under this Agreement or otherwise relating to periods through the date of such Transfer (whether as the result of a voluntary or involuntary Transfer) or any obligation that under Section 12.12 survives the Transfer of all or any portion of a Member's Interest, unless each other Member agrees in writing to any such release.

8.6 Conditions to Substitution»

. As conditions to its admission as a Member, an assignee, transferee or successor of a Member shall (a) execute and deliver any instruments, in form and substance satisfactory to the non-transferring Members, as the non-transferring Members reasonably request, and (b) pay all reasonable expenses in connection with its admission as a substituted Member.

8.7 Admission as a Member»

. No Person shall be admitted to the Company as a Member unless either (a) the Interest or part thereof acquired by such Person has been registered under the Securities Act, and any applicable state securities Laws or (b) the Company has received a favorable opinion of the transferor's legal counsel or of other legal counsel acceptable to the non-transferring Members to the effect that the Transfer of the Interest to such Person is exempt from registration under those Laws. The non-transferring Members, however, may waive the requirements of this Section 8.7.

8.8 Economic Interest Holders»

. A transferee or successor to all or any portion of an Interest that is not admitted as a substituted Member of the Company shall be subject to all of the economic and non-economic obligations of a Member under this Agreement, including obligations to make Capital Contributions and reimbursement obligations, but shall not have any of the non-economic rights of a Member under this Agreement. For clarity, the non-economic rights of a Member include, without limitation, rights to vote, consent or approve matters under this Agreement, inspection rights, audit rights, rights to indemnification, and all rights to make any claims or demands against the Company, any Member or the Management Committee under this Agreement, the Act or otherwise. Each Member, by execution of this Agreement, acknowledges and agrees that any of its transferees or successors that is not admitted as a substituted Member of the Company shall be bound by this Section 8.8 and the other provisions of this Agreement.

ARTICLE IX
RESIGNATION, DISSOLUTION AND LIQUIDATION

9.1 Resignation»

. A Member may resign from the Company only pursuant to the provisions of this Section 9.1.

(a) Resignation of PM&G Before Joint Funding. PM&G may resign or be deemed to have resigned as provided in Section 3.3(a). Upon the resignation or deemed resignation of PM&G under Section 3.3(a), PM&G shall, subject to and in accordance with Section 9.1(e), relinquish its entire Interest to the Company, free and clear of Encumbrances created by, through or under PM&G, for no consideration whatsoever, other than the rights of PM&G that under Section 12.12 expressly survive the resignation or deemed resignation of a Member. Notwithstanding anything in Article IV to the contrary, if PM&G resigns or is deemed to resign as a Member under this Section 9.1(a), it shall have the right and obligation, and shall be solely responsible for, reclaiming all surface disturbance on the Properties caused by any expenditures made before Joint Funding to the extent required by Law, unless either (i) such reclamation expenses were already funded as part of the expenditures made by PM&G in the Approved Program and Budget prior to its resignation or deemed resignation or (ii) within 15 days following PM&G's resignation, Timberline (a) agrees in writing with PM&G that the Company or Timberline shall assume such responsibility, and (b) posts any financial surety or bonding required with respect to the reclamation of such disturbance. The Company shall grant to PM&G a reasonable right of access across the Properties for that purpose. PM&G shall have

the right at any time within one year after its resignation to complete any reclamation obligations required of PM&G under this Section 9.1(a), and to remove all PM&G owned tools, equipment, machinery, supplies, fixtures, buildings, structures and other property erected or placed on the Properties by PM&G, excluding any of the foregoing purchased by PM&G in connection with its Initial Contribution, which shall be and remain the property of the Company. Title to any such PM&G property not removed within the time period set forth above shall, at the election of Timberline, pass to the Company.

(b) Resignation for Default in Making Capital Contributions. Upon the deemed resignation of a Delinquent Member under Section 3.6(d), such Delinquent Member shall, subject to and in accordance with Section 9.1(f), relinquish to the Company its entire Interest, free and clear of any Encumbrances created by, through or under the Delinquent Member, in exchange for the right to receive 10% of Net Proceeds, if any, in an aggregate amount calculated on a cumulative basis after the effective date of such resignation up to, but not exceeding, 100% of the net amount of the Member's Contributed Capital, *minus* the aggregate amount of cash and the fair market value of property distributed to the Member and its predecessors since the inception of the Company to the date of the deemed resignation. Other than the consideration described in the previous sentence and the rights of such Member that under Section 12.12 expressly survive the resignation or deemed resignation of a Member, the relinquishment by a Member of its Interest under this Section 9.1(b) shall be for no consideration whatsoever. Net Proceeds, if any, shall be paid in accordance with **Exhibit D**.

(c) Voluntary Resignation. After the commencement of Joint Funding, any Member may resign from the Company for any reason or no reason effective as of the end of the then current Program and Budget period by giving notice to the other Member not later than 60 days before the end of such Program and Budget period. Upon such resignation, the resigning Member shall, subject to and in accordance with Section 9.1(f), relinquish to the Company its entire Interest, free and clear of Encumbrances created by, through or under the resigning Member, for no consideration whatsoever, other than the rights of such Member that under Section 12.12 expressly survive the resignation of a Member.

(d) Involuntary Resignation - Elimination of Minority Interest. Subject to Section 9.1(e), a Member shall be deemed to have resigned from the Company as a Member under section 18-306(2) of the Act upon the reduction of the Member's Interest to less than 5%. Upon the deemed resignation, the resigning Member shall, subject to and in accordance with Section 9.1(f), relinquish to the Company its entire Interest, free and clear of Encumbrances created by, through or under the Member, in exchange for the right to receive 5% of Net Proceeds, if any, in an aggregate amount calculated on a cumulative basis after the effective date of the resignation up to, but not exceeding 100% of the net amount of the Member's Contributed Capital, *minus* the aggregate amount of cash and the fair market value of property distributed to the Member and its predecessors since the inception of the Company to the date of the deemed resignation. Other than the consideration described in the previous sentence and the rights of the Member that under Section 12.12 expressly survive the resignation or deemed resignation of a Member, the relinquishment by a Member of its Interest under this Section 9.1(d) shall be for no consideration whatsoever. Net Proceeds, if any, shall be paid in accordance with **Exhibit D**.

(e) Recalculation and Restoration of Interest. Notwithstanding Section 9.1(d), if a Member's Interest would be relinquished under Section 9.1(d) because of an adjustment to Interests under Section 6.7(c) in connection with the Member's election not to contribute, or to contribute less than its Interest, to a Program and Budget, the resignation of the Member and the relinquishment of its Interest shall be deferred until after the completion of the Program and Budget period to take into account any recalculation of the Member's Interest under Section 6.7(b) and any reimbursement by the Member of an Excess Amount under Section 6.7(c). If, after taking into account the recalculation and reimbursement, if any, the Interest should be relinquished under Section 9.1(d), then the Member shall immediately be deemed to resign as a Member and relinquish its Interest subject to and in accordance with Section 9.1(f); *provided, however*, that the resignation and relinquishment shall be deemed effective as of the beginning of the Program and Budget period. If, after taking into account the recalculation and reimbursement, if any, the Interest should not be relinquished, then the Member shall not be required to resign or relinquish its Interest under Section 9.1(d). The Management Committee shall make, and the Members shall cooperate with the Management Committee in making, the distributions and allocations of items of Profit, Loss and credit required by Section 6.7(d), and such other distributions, allocations of items of Profit, Loss and credit, and payments of Net Proceeds as the Management Committee reasonably determines are necessary or appropriate to effect the intent and accomplish the purposes of this Section 9.1(e).

(f) Actions Upon Resignation. Upon the resignation or deemed resignation of a Member, or the relinquishment of a Member's Interest, the Member shall execute and deliver such instruments of assignment and conveyance, conveying its Interest to the Company (or to a designee of the Company designated by the other Member, which may include the other Member or its Affiliates) as the other Member reasonably requests.

9.2 Non-Compete Covenant»

. A Member that has resigned or is deemed to have resigned or that has relinquished its Interest under Section 9.1, shall not, and shall cause its Affiliates not to, directly or indirectly acquire any interest in property within the Area of Interest for 12 months after the effective date of the resignation, deemed resignation, or relinquishment. If such former Member, or any Affiliate of such former Member, breaches this Section 9.2, such former Member shall or shall cause its Affiliate to offer to convey to the Company (or any other Person designated by the Company), without cost, any such property or interest so acquired. Such offer shall be made in writing and may be accepted by the Company at any time within 60 days after its receipt by the Company. In addition to any other remedies provided by this Agreement and applicable Law, each Member agrees that the Company (or any remaining Member, on behalf of the Company), may enforce this Section 9.2 through such legal or equitable remedies, including an injunction, as a court of competent jurisdiction shall allow without the necessity of bringing an arbitration action or proving actual damages or bad faith, and each Member waives, and shall cause its Affiliates to waive, any claim or defense that the Company (or any remaining Member, on behalf of the Company) has an adequate remedy at law and any requirement for the securing or posting of any bond in connection with such equitable remedy.

9.3 Dissolution»

. The Company shall be dissolved only upon the unanimous agreement of the Members.

9.4 Liquidation»

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(a) Liquidator. Promptly after the dissolution of the Company, the Management Committee shall appoint in writing one or more liquidators (who may be a Member or a Representative) who shall have full authority to wind up the affairs of the Company and to make a final distribution as provided in this Agreement. The liquidator shall continue to conduct Operations with all of the power and authority of the Management Committee. Without limiting the previous sentence, the liquidator shall have the power and authority to complete any transaction and satisfy any obligation, unfinished or unsatisfied, at the time of dissolution, if the transaction or obligation arises out of Operations before the time of dissolution. The liquidator shall have the power and authority to grant or receive extensions of time or change the method of payment of an already existing liability or obligation, prosecute and defend actions on behalf of the Company, encumber Assets, and take any other reasonable action in any matter with respect to which the Company continues to have, or appears or is alleged to have, an interest or liability.

(b) Steps of Liquidator. The steps to be accomplished by the liquidator are as follows:

(i) As promptly as possible after dissolution, the liquidator shall cause a proper accounting to be made of the Company's assets, liabilities and Operations through the last day of the month in which the dissolution occurs.

(ii) The liquidator shall pay all of the debts and liabilities of the Company or otherwise make adequate provision for such debts and liabilities (including, the establishment of a cash escrow fund for contingent liabilities in such amount and for such term as the liquidator may reasonably determine) to the extent required by the Act.

(iii) The liquidator shall then by payment of cash or property (at the election of the liquidator, and, in the case of property, valued under Section 5.3 of **Exhibit C**) distribute to the Members such amounts or property as are required to distribute all remaining amounts or property to the Members in accordance with Section 7.2.

(c) Distributions in Liquidation. In connection with the liquidation of the Company, those Members that agree in writing may be distributed in-kind undivided interests in the Assets of the Company. For purposes of this Section 9.4, a distribution of an asset or an undivided interest in an asset in-kind to a Member shall be considered a distribution of an amount equal to the fair market value of such asset or undivided interest as determined under Section 5.3 of **Exhibit C**. Each Member shall have the right to designate another Person to receive any property that otherwise would be distributed in kind to that Member under this Section 9.4. Any real property, including any mineral interests, distributed to the Members shall be conveyed by special warranty deed subject to all Encumbrances, contracts and commitments then in effect with respect to such property, which shall be assumed by the Members receiving such real property. The distribution of cash or property to the Members in accordance with the provisions of this Section 9.4 shall constitute a complete return to the Members of their

respective Capital Contributions and a complete distribution to the Members of their respective interests in the Company and all Company property. Without limiting the provisions of this Agreement that under Section 12.12 survive the termination of the Company, no Member shall have any obligation to contribute to the Company or pay to any other Member any deficit balance in such Member's Capital Account.

(d) Compliance with Laws; Timing. Except as expressly provided herein, the liquidator shall comply with any applicable requirements of the Act and all other applicable Laws pertaining to the winding up of the affairs of the Company and the final distribution of its assets. Liquidation of the Company shall be completed within the time limits imposed by Treasury Regulations section 1.704-1(b)(2)(ii) and (g).

9.5 Termination»

. Upon the completion of the distribution of the Company's Assets as provided in Section 9.4, the Company shall be terminated and the liquidator shall file a certificate of cancellation of the certificate of formation of the Company and shall take such other actions as may be necessary to terminate the existence of the Company.

ARTICLE X
AREA OF INTEREST; ABANDONMENT

10.1 Acquisitions Within Area of Interest»

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(a) General. Except as provided in this Section 10.1, no Member or former Member shall, or permit any of its Affiliates to, acquire any interest or right to acquire any interest in any real property, minerals or water rights relating to real property wholly or partially within the Area of Interest (collectively, "**Covered Real Property**"), either directly or indirectly, alone, or as a member, partner, stockholder or other investor in any Person, at any time until the earlier of (i) the termination of the Company and (ii) the date that is 12 months after the date that such Person no longer is a Member in the Company for any reason. In addition to any other remedies provided by this Agreement and applicable Law, each Member agrees that the Company (or any Member, on behalf of the Company), may enforce this Section 10.1 through such legal or equitable remedies, including an injunction, as a court of competent jurisdiction shall allow without the necessity of bringing an arbitration action under Section 11.3 proving actual damages or bad faith, and each Member waives, and shall cause its Affiliates to waive, any claim or defense that the Company (or any remaining Member, on behalf of the Company) has an adequate remedy at law and any requirement for the securing or posting of any bond in connection with such equitable remedy.

(b) Notice to Other Member. Within 30 days after the acquisition by any Member (the "**Acquiring Member**") or any Affiliate of the Acquiring Member of any Covered Real Property (excluding Covered Real Property acquired by or on behalf of the Company under a Program), the Acquiring Member shall provide notice to the other Member of such acquisition. The Acquiring Member's notice shall describe in detail the terms of the acquisition (including the associated costs), the Covered Real Property subject to the acquisition, whether or not the

Acquiring Member believes the acquisition of the Covered Real Property by the Company is in its best interests, and the reasons for its conclusions. In addition to the notice, the Acquiring Member shall make any and all information concerning the Covered Real Property and the terms of the acquisition available for inspection by the other Member.

(c) Option Exercised. If, within 60 days after receiving the Acquiring Member's notice, the other Member provides notice to the Acquiring Member that it elects to participate in the Covered Real Property, the Acquiring Member shall, or shall cause its Affiliate to, convey to the Company (or to the other Member or another entity as mutually agreed by the Members), by special warranty deed, its entire interest or right to acquire the Covered Real Property (or if to the other Member, a proportionate undivided interest in the Covered Real Property based on the Interests of the Members), free and clear of all Encumbrances arising by, through or under the Acquiring Member and its Affiliates, other than those to which both Members have agreed. If conveyed to the Company, the Covered Real Property shall become a part of the Properties for all purposes of this Agreement immediately upon the notice of such other Member's election to participate. Such other Member shall promptly pay to the Acquiring Member its proportionate share based on Interests of the Acquiring Member's and its Affiliates' actual out-of-pocket acquisition costs.

(d) Option Not Exercised. If the other Member does not give notice of its election to participate within the 60 day period in Section 10.1(c), neither such other Member nor the Company shall have any interest in the Covered Real Property, and the Covered Real Property shall not be a part of the Properties or otherwise be subject to this Agreement.

Either Member may request that the Management Committee authorize the Company to surrender or abandon part or all of the Properties. If the Management Committee does not authorize such surrender or abandonment after such a request, or authorizes such surrender or abandonment over the objection of a Member, subject to the terms of any Project Financing, any Company indebtedness or other contractual or legal restrictions binding on the Company, the Member that desires to retain such Properties shall be distributed such Properties without cost to such Member by special warranty deed, free and clear of all Encumbrances created by, through or under the Member that desires for such Properties to be surrendered or abandoned (but subject to any Encumbrances previously created thereon by the Company or existing at the time such Properties were acquired by the Company), which Properties the Members agree shall be assigned an agreed fair market value as of the time of distribution of zero dollars. As and to the extent provided in Section 4.4, the Member that desires to abandon or surrender such Properties shall remain liable to reimburse the acquiring Member and its Indemnified Member Parties for its share (determined by Interests as of the date of such distribution) of any Adverse Consequences with respect to such Properties, including Continuing Obligations, Environmental Liabilities and Environmental Compliance, whether accruing before or after the date of such distribution, arising out of activities before the date of such distribution.

(e) Timberline acknowledges that PM&G may elect to expand its interest in the remaining portion of Timberline's properties in Timberline's Eureka Project. Timberline hereby grants PM&G with the first right to participate in these properties upon terms and conditions as the parties may mutually agree upon at the time of such participation.

ARTICLE XI
DISPUTES

11.1 Dispute Resolution. Any controversy, claim or dispute between or among two or more of the Members, any Indemnified Member Party, any assignee or successor of a Membership Interest that has not been admitted as a Member, the Management Committee, the Company and any of their respective Affiliates (each, a "**Dispute Party**") (but excluding any controversy, claim or dispute to which all of the parties are any one Member or the Management Committee and its Indemnified Member Parties or its Affiliates) arising out of, relating to or in connection with the Company, Operations or this Agreement (a "**Dispute**"), and that is not otherwise settled by agreement between or among such parties, shall be exclusively and finally resolved pursuant to the provisions and procedures set forth in this Article XI. Without limiting the foregoing, the following shall be considered Disputes for this purpose: (a) all questions relating to the interpretation or breach of this Agreement or the Contribution Agreement, (b) all questions relating to the application of the Act to this Agreement or the interpretation of the Act, (c) all questions relating to any representations, negotiations and other proceedings leading to the execution of this Agreement or the Contribution Agreement, and (c) all questions relating to the application of this Article XI and the arbitration provisions in this Article XI. Notwithstanding the previous provisions of this Section 11.1, although the Dispute Parties agree that any legal action for a preliminary injunction or other prejudgment relief will be resolved by the Arbitration Panel appointed under Section 11.3, at any time before the Arbitration Panel has been appointed, any Dispute Party may seek a preliminary injunctive or other prejudgment relief from the Delaware Court of Chancery or other court of competent jurisdiction to the extent necessary to preserve the status quo or to preserve a Dispute Party's ability to obtain meaningful relief pending the outcome of the arbitration proceedings under this Article XI. Any Dispute Party may bring an action in the Delaware Court of Chancery or another court of competent jurisdiction to compel arbitration of any Dispute after the procedure under Section 11.2 is exhausted; *provided*, that to the fullest extent permitted by Law, each Dispute Party hereby waives and relinquishes any right under the Act or otherwise to compel the resolution of any substantive issues regarding a Dispute in the Delaware Court of Chancery or any other court, or to request any other relief from the Delaware Court of Chancery or any other court except as specifically set forth in this Article XI.

11.2 Executive Mediation. In the event of any Dispute, upon written notice of any Dispute Party, such Dispute shall immediately be referred to one representative of the executive management designated by each Dispute Party who is authorized to settle the Dispute. Such representatives shall promptly meet in a good faith effort to resolve the Dispute. If the representatives designated by the relevant Dispute Parties under this Section 11.2 do not resolve the Dispute within 10 Business Days after the written notice, the Dispute shall (i) first be presented to a mediator mutually agreed upon by the Parties to facilitate resolution of the Dispute and (ii) if mediation hasn't resolved the Dispute within 10 Business Days of first being heard or presenting to the selected mediator or the Parties are unable to agree upon a mediator within 10 Business Days, the Dispute will be exclusively and finally resolved by binding arbitration under the provisions and procedures in Section 11.3.

11.3 Arbitration. An arbitration under this Article XI shall be administered by the American Arbitration Association (the "**AAA**") under its Commercial Arbitration Rules, and

judgment on the award rendered by the arbitrators may be entered in any court of competent jurisdiction. In connection with any proceedings concerning the recognition or enforcement of the arbitral award, each Dispute Party consents to personal jurisdiction and venue in the federal and state courts in Reno, Nevada and waives any objection that it otherwise might have as to whether these courts are a sufficiently convenient forum.

(a) The arbitration shall be conducted before a panel of three arbitrators, each of whom shall be fluent in English, have experience in the mining industry, and be neutral and independent of the parties (the "**Arbitration Panel**"). The claimant or claimants shall appoint one arbitrator in the demand for arbitration, and the respondent or respondents shall appoint one arbitrator in the answer to the demand for arbitration. The third arbitrator shall be selected by the two arbitrators so appointed; *provided*, that if the two arbitrators so appointed fail to select the third arbitrator within 30 days after the date on which the last of such two arbitrators is appointed, then the third arbitrator shall be appointed by the AAA. The third arbitrator, regardless of how selected, shall chair the Arbitration Panel. Once the arbitrators are impaneled, if (i) an arbitrator withdraws after a challenge, (ii) an arbitrator dies, or (iii) an arbitrator otherwise resigns or is removed, then such arbitrator shall be replaced within 30 days by the applicable party or arbitrators in accordance with this Section 11.3(a).

(b) The place of arbitration shall be Reno, Nevada. The arbitration shall be conducted in English; *provided* that any Dispute Party, at its cost, may provide for the translation of the arbitration proceeding into a language other than English.

(c) Unless the Arbitration Panel orders an earlier date, not less than 30 days before the beginning of the evidentiary hearing, each Dispute Party shall submit to the other Dispute Party the documents, in English, that it intends to use in the arbitration and a list of the witnesses whom the Dispute Party intends to call at the hearing. Each Dispute Party or its legal counsel shall have the right to examine witnesses and to cross-examine the witnesses of the opposing party.

(d) To the extent reasonably possible, the Arbitration Panel shall issue its final award within 6 months after the date on which the third arbitrator is designated. The decision of the Arbitration Panel shall be final and binding. The award shall be in the form of written findings of fact and the conclusions of Law upon which the decision is based. The award shall not include any indirect, incidental, special, consequential, or punitive damages. Unless the Arbitration Panel shall specificall award costs, expenses or attorneys' fees to a Party as part of the award, each Dispute Party shall bear its own costs, expenses, and attorneys' fees incurred in connection with the arbitration. The claimant or claimants and the respondent or respondents shall each be responsible for one-half of the arbitrators' fees.

(e) Notwithstanding the pendency of any arbitration, the obligations of the Dispute Parties under each the LLC Agreement and the Contribution Agreement shall remain in full force and effect; *provided*, that no Dispute Party shall be considered in default under either such agreement (except for defaults for the payment of money) during the pendency of an arbitration specifically relating to the default.

(f) The arbitrators have no authority to make any ruling, finding or award that does not conform to the terms and conditions of the LLC Agreement and the Contribution Agreement as interpreted under the Laws of Delaware, without regard to any conflicts of Law provision or rule that would cause the application of the Laws of any jurisdiction other than Delaware, including in each case any applicable statutes of limitations. The Arbitration Panel shall have no authority to award exemplary, punitive, special, indirect, or consequential damages, but shall otherwise have the power to order any remedy available at law or in equity under Delaware Law that is not prohibited by the terms and provisions of the LLC Agreement and the Contribution Agreement.

ARTICLE XII
MISCELLANEOUS

12.1 Confidentiality»

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(a) Subject to Section 12.1(b), each Member shall keep confidential and not use, reveal, provide or transfer to any third party any Confidential Information that it obtains or has obtained concerning the Company or the other Member without the prior written consent of the other Member, which consent shall not be unreasonably withheld or delayed, except (i) to the extent that disclosure to a third party is required by Law, (ii) information that, at the time of disclosure, is generally available to the public (other than as a result of a breach of this Agreement or any other confidentiality agreement to which such Person is a party or of which it has knowledge), as evidenced by generally available documents or publications, and (iii) information that was in the disclosing party's possession before the Effective Date (as evidenced by appropriate written materials) and was not acquired directly or indirectly from the Company or the other Member.

(b) Notwithstanding Section 12.1(a), Confidential Information may be disclosed without consent to (i) a consultant, contractor, subcontractor, officer, director or employee of the Company or any Member or any of their respective Affiliates that has a bona fide need to be informed of the Confidential Information, (ii) any third party to whom the disclosing Member contemplates a Transfer of all or any part of its Interest or the Assets, (iii) any actual or potential lender, underwriter or investor for the sole purpose of evaluating whether to make a loan to or an investment in the disclosing Member or the Company, or (iv) in connection with a press release or public announcement under Section 12.2.

(c) As to any disclosure under clause (i), (ii) or (iii) of Section 12.1(b), (i) the disclosing Member shall give notice to the other Member concurrently with the making of the disclosure, (ii) only such Confidential Information as the recipient has a legitimate business need to know shall be disclosed, (iii) the recipient shall first agree in writing to protect the Confidential Information from further disclosure to the same extent as the Members are obligated under this Section 12.1, and (iv) the disclosing Member shall be responsible and liable for any use or disclosure by any such recipient that would constitute an impermissible use or disclosure by the disclosing Member.

(d) A Member shall continue to be bound by this Section 12.1 until the earlier of (i) the date that is 2 years after the cancellation of the certificate of formation of the Company (notwithstanding the resignation or deemed resignation of such Member or the Transfer by such Member of its entire Interest), and (ii) the date that is 2 years after the resignation or deemed resignation of such Member or, in the case of a Member, the Transfer by such Member of its entire Interest; *provided* that with respect to any Confidential Information that constitutes "trade secrets" of a Member or the Company under the Uniform Trade Secrets Act or similar applicable Laws, the provisions of this Section 12.1 shall survive indefinitely.

12.2 Public Announcements»

. Any Member may issue any press release or make any public disclosure concerning the Company or Operations that it believes in good faith is required by applicable Law or any listing or trading agreement concerning its publicly traded securities or the publicly traded securities of any of its Affiliates; *provided* that if a Member or any of its Affiliates intends to issue such a press release or make such a disclosure, it shall use commercially reasonable efforts to advise the other Member before issuing the press release or making the disclosure. Except as provided in the previous sentence, neither the Company, any Member nor any of their respective Affiliates, shall issue any press release or make any public announcement relating to the Company or Operations without the prior written approval of the Management Committee not to be unreasonably withheld and to be provided or withheld within 1 Business Day of being presented to the Management Committee.

12.3 Notices»

. All notices to the Members or the Management Committee shall be in writing to the applicable address on the signature page to this Agreement, and shall be given (i) by personal delivery or recognized international overnight courier, (ii) by electronic communication, with a confirmation sent by registered or certified mail return receipt requested, or (iii) by registered or certified mail return receipt requested. All notices shall be effective and shall be deemed delivered (a) if by personal delivery or by overnight courier, on the date of delivery if delivered before 5:00 p.m. local destination time on a Business Day, otherwise on the next Business Day after delivery, (b) if by electronic communication on the Business Day after receipt of the electronic communication, and (c) if solely by mail, on the Business Day after actual receipt. A Member or Management Committee may change its address by notice to the other Members.

12.4 Headings»

. The subject headings of the Articles, Sections and subsections of this Agreement and the Exhibits to this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of their provisions.

12.5 Waiver»

. Except for waivers specifically provided for in this Agreement, rights under this Agreement may not be waived except by an instrument in writing signed by the Member to be charged with the waiver. The failure of a Member to insist on the strict performance of any provision of this Agreement or to exercise any right, power or remedy upon a breach of this

Agreement shall not constitute a waiver of any provision of this Agreement or limit the Member's rights thereafter to enforce any provision or exercise any right.

12.6 Amendment»

. Except for (a) amendments executed by the Management Committee in connection with the admission of additional or substituted Members under Sections 2.6 or 8.5(e), and (b) deemed amendments under Section 12.7, notwithstanding the definition of "limited liability company agreement" contained in section 18-101(7) of the Act or any other contrary provision of the Act, no amendment, restatement, modification, or supplement of or to this Agreement shall be valid or shall constitute part of the "limited liability company agreement" of the Company unless it is made in a writing duly executed by each Member or at least one Representative of each Member, which writing specifically indicates that it is amending, restating, modifying or supplementing this Agreement. To the extent reasonably possible, minutes, resolutions and consents of the Management Committee that are executed or approved by at least one Representative of each Member shall be read in a manner consistent with this Agreement. To the extent of any irreconcilable conflict between any provision of this Agreement and any such minutes, resolutions or consents, this Agreement shall control. Under no circumstances shall any consent or approval of the Management Committee that is not executed or approved by each Member or at least one Representative of each Member amend, restate, modify or supplement this Agreement.

12.7 Severability»

. If at any time any covenant or provision contained in this Agreement is deemed in a final, non-appealable ruling of the Arbitration Panel to be invalid or unenforceable, such covenant or provision shall be considered divisible and shall be deemed immediately amended and reformed to include only such portion of such covenant or provision as such the Arbitration Panel has held to be valid and enforceable. Such covenant or provision, as so amended and reformed, shall be valid and binding as though the invalid or unenforceable portion had not been included in this Agreement.

12.8 Force Majeure»

. Except for any obligation after Joint Funding to make Capital Contributions or other payments when due under this Agreement, the obligations of a Member , including the obligation of PM&G to timely achieve the Minimum Work Requirement during any Annual Period during the Phase I Earn-In Period, shall be suspended to the extent and for the period that performance is prevented in whole or in part by a Force Majeure Event. The affected Member shall promptly give notice to the other Member of the Force Majeure Event and the suspension of performance, stating in the notice the nature of and the reasons for the Force Majeure Event and its estimated duration. The affected Member shall resume performance as soon as reasonably possible.

12.9 Rules of Construction»

. Each Member or other party to or bound by this Agreement acknowledges that it has been represented by counsel during the negotiation, preparation and execution of this Agreement or the acquisition of its Interest or other interest in the Company. Each such party therefore

waives the application of any Law or rule of construction providing that ambiguities in an agreement or other document shall be construed against the drafter of the agreement or document.

12.10 Governing Law»

. This Agreement, and the rights and liabilities of the Members under this Agreement, shall be governed by and interpreted in accordance with the Laws of the State of Delaware, except for its rules as to conflicts of Laws that would apply the Laws of another state.

12.11 Further Assurances»

. Each Member agrees to take from time to time such actions and execute such additional instruments as may be reasonably necessary or convenient to implement and carry out the intent and purpose of this Agreement.

12.12 Survival»

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(a) Resignation, Relinquishment, Redemption and Transfer. After the resignation or deemed resignation of a Member, the relinquishment or redemption of a Member's Interest, or the Transfer by a Member of its entire Interest in the Company, such former Member shall have no further rights or obligations as a Member of the Company relating to periods after the date of the resignation, deemed resignation, relinquishment, redemption or Transfer; *provided*, that after such resignation, deemed resignation, relinquishment, redemption or Transfer, such former Member shall (i) not be released, either in whole or in part, from any liability of such Member to the Company or the other Members under this Agreement or otherwise relating to periods through the date of such resignation, deemed resignation, relinquishment, redemption or Transfer, unless each other Member agrees in writing to any such release, (ii) remain liable to each other Member and former Member and their respective Indemnified Member Parties for its reimbursement and indemnification obligations under Sections 4.3 and 4.4, and (iii) shall continue to have the right to enforce the indemnification and reimbursement obligations of the Company, the other Members and the former Members under Sections 4.2, 4.3 and 4.4 with respect to actions, omissions or events occurring before the date of such resignation, deemed resignation, relinquishment, redemption or Transfer, notwithstanding any amendment, restatement, modification or supplement to this Agreement adopted after the date of such resignation, deemed resignation, relinquishment, redemption or Transfer that attempts to limit or restrict such rights. In addition, a former Member shall continue to be subject to its obligations, if any, under Sections 9.1(e) and 9.2 after the resignation or deemed resignation of such former Member.

(b) Dissolution, Liquidation and Termination. After the dissolution, liquidation and termination of the Company, (i) each Person that was a Member as of the date of the dissolution of the Company shall be entitled to copies of all information acquired by or on behalf of the Company on or before the date of termination and not previously furnished to such Person, (ii) if any former Member continues to own all or any portion of the Properties, each Person that was a Member as of the date of dissolution of the Company shall continue to have

rights of ingress and egress to such Properties for purposes of ensuring Environmental Compliance, and (iii) each former Member (regardless whether such Person was a Member as of the date of the dissolution of the Company) shall remain liable for (A) its indemnification and reimbursement obligations under Sections 4.3 and 4.4, subject to Section 4.5, and (B) its Capital Contribution obligations under Sections 3.4 and 3.5, but only in the case of this clause (B) to the limited extent provided in Section 5.6(e).

(c) Survival of Provisions. The provisions of this Agreement shall survive any event described in Section 12.12(a) and (b) to the fullest extent necessary for the enforcement of such provisions and the protection of the Members or other Persons in whose favor such provisions run.

12.13 No Third Party Beneficiaries»

. Except to the extent specifically provided in this Agreement with respect to the Indemnified Member Parties (who are express third party beneficiaries of this Agreement solely to the extent provided in this Agreement), this Agreement is for the sole benefit of the Members and the Representatives, and no other Person (including any creditor of the Company, the Members, and the Indemnified Member Parties), is intended to be a beneficiary of this Agreement or shall have any rights under this Agreement. Except as specifically provided in this Agreement, no Person (including any named third party beneficiary) shall have a right to approve any amendment or modification, or waiver under, this Agreement.

12.14 Entire Agreement»

. This Agreement and the Contribution Agreement contain the entire understanding of the Members with respect to the Company and supersede all prior agreements, understandings and negotiations relating to the subject matter of this Agreement and the Contribution Agreement.

12.15 Parties in Interest»

. This Agreement shall inure to the benefit of the permitted successors and permitted assigns of the Members \, and shall be binding upon the successors and assigns of the Members (whether or not permitted). In the event of any conflict between this Agreement, on the one hand, and the Contribution Agreement, on the other hand, the terms of this Agreement shall control.

12.16 Counterparts»

. This Agreement may be executed in multiple counterparts, and all such counterparts taken together shall constitute the same document.

12.17 Rule Against Perpetuities»

. The Members do not intend that there shall be any violation of the Rule Against Perpetuities, the Rule Against Unreasonable Restraints on the Alienation of Property, or any similar rule. Accordingly, if any right or option to acquire any interest in the Properties, in an

Interest, in the Assets, or in any real property exists under this Agreement, such right or option must be exercised, if at all, so as to vest such interest within time periods permitted by applicable rules. If, however, any such violation should inadvertently occur, the provisions of this Agreement shall be revised in such a way as to approximate most closely the intent of the Members within the limits permissible under such rules.

[Signatures on Next Page]

The parties have executed this Agreement on the dates indicated below to be effective for all purposes as of the Effective Date.

MEMBERS:

TIMBERLINE RESOURCES CORP.

Address: _____
_____
Attention:_____
Facsimile: _____

By:_____
Name:_____
Title:_____
Date: _____

PM&GOLD MINES, INC.

Address:_____
_____
Attention:_____
Facsimile: _____

By:_____
Name:_____
Title:_____
Date: _____

APPENDIX A

Defined Terms

1. **Defined Terms**. As used in the Agreement, the following capitalized terms have the following meanings given:

"**Accounting Procedure**" means the accounting and other procedures in **Exhibit B**.

"**Act**" means the Delaware Limited Liability Company Act, 6 Del. C. § 18-101, *et seq*.

"**Adverse Consequences**" mean with respect to a Person, claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursements and expenses (including reasonable attorneys' fees and costs, experts' fees and costs, and consultants' fees and costs) of any kind or nature against, suffered or incurred by the Person, including, if the Person is a Member, any of the foregoing suffered or incurred by the Company to the extent funded by Capital Contributions of the Member to the Company, but excluding any diminution in the value of the Company or its Assets or any Interest.

"**Affiliate**" means with respect to a Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by or is under common Control with, the subject Person. Notwithstanding the previous sentence, the Company shall not be considered an Affiliate of either Member or any of their respective Affiliates.

"**Annual Period**" means each calendar period of 365 days (or 366 days during a calendar period that includes February 29th) commencing on the Effective Date and each subsequent anniversary of the Effective Date and ending on the calendar day immediately preceding the Effective Date of the next calendar year.

"**Area of Interest**" means the area described as the "Area of Interest" in **Exhibit A**.

"**Assets**" means the Properties, Products and all other real and personal property, tangible and intangible, including existing or after-acquired properties, and all contract rights, in each case held by the Company.

"**Budget**" means a detailed estimate of all costs to be incurred and a schedule of Capital Contributions to be made by the Members with respect to a Program.

"**Business**" means the conduct of the business of the Company in furtherance of the purposes stated in Section 2.3 and in accordance with this Agreement.

"**Business Account**" means the account maintained by the Management Committee for the Company in accordance with the Accounting Procedure.

"**Business Day**" means any day on which federally chartered banks are generally open for business in Coeur d'Alene, Idaho and Reno, Nevada.

"**Capital Account**" means the capital account maintained for each Member in accordance with Treasury Regulations section 1.704-1(b)(2)(iv).

"**Capital Contribution**" means, with respect to a Member, the sum of (a) the dollar amounts of any cash and cash equivalents contributed by the Member to the capital of the Company, plus (b) the fair market value, as agreed by all of the Members, or if they cannot agree, as determined by the Management Committee, of any property (other than cash or cash equivalents) contributed by the Member to the capital of the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take subject to). In the context of a proposed or adopted Program and Budget, Capital Contribution means the proposed or actual amount of capital that each Member is required to contribute to the Company from time to time to fund the Program and Budget.

"**Code**" means the Internal Revenue Code of 1986.

"**Company**" means Lookout Mountain LLC, the Delaware limited liability company governed by this Agreement.

"**Confidential Information**" means all information, data, knowledge and know-how (including formulas, patterns, compilations, programs, devices, methods, techniques and processes) provided by the Company, a Member or the Management Committee, any of their respective Affiliates, or any of their respective employees or agents, to any of the foregoing that either (a) derive independent economic value, actual or potential, as a result of not being generally known to, or readily ascertainable by, third parties and that are the subject of efforts that are reasonable under the circumstances to maintain their secrecy, or (b) that are designated by the providing Person as confidential, in each case including all analyses, interpretations, compilations, studies and evaluations based on the information, data, knowledge and know-how that are generated or prepared by or on behalf of the recipient of the information, data, knowledge or know-how.

"**Continuing Obligations**" means obligations or responsibilities that are reasonably expected to or actually continue or arise after Operations on a particular area of the Properties have ceased or are suspended, such as future monitoring, stabilization, or Environmental Compliance.

"**Contributed Capital**" means the aggregate amount of Capital Contributions made by each Member to the Company; *provided, however*, that (a) no portion of PM&G's Initial Contribution shall constitute Contributed Capital until the completion of PM&G's entire Initial Contribution, and (b) for purposes of determining Contributed Capital (but not for purposes of maintaining the Capital Accounts) after an election under Section 3.6(c) or Section 3.6(b)(iv)(A), (i) the Contributed Capital of the Non-Defaulting Member shall be increased by (A) the Default Amount; *multiplied by* (B) the Dilution Multiple, and (ii) the Contributed Capital

of the Delinquent Member shall be decreased by (A) the amount calculated in clause (ii) above; *minus* (B) the Default Amount. In the case of an election under Section 3.6(b)(iv)(A), the Default Amount shall equal the unpaid portion of the Default Loan and all accrued and unpaid interest. The amount contributed on behalf of the Delinquent Member by the Non-Defaulting Member is not intended to affect the Members' Capital Accounts.

"**Contribution Agreement**" means the Contribution Agreement, dated as of the Effective Date, among Timberline and the Company, as to the Initial Contribution of Timberline.

"**Control**" means (a) when used as a verb, (i) with respect to an entity, the ability, directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of the entity through the legal or beneficial ownership of voting securities or the right to appoint managers, directors or corporate management, or by contract, operating agreement, voting trust or otherwise, and (ii) with respect to a natural person, the actual or legal ability to control the actions of another, through family relationship, agency, contract or otherwise, and (b) when used as a noun, an interest that gives the holder the ability to exercise any of the powers described in clause (a).

"**Default Rate**" means a rate per annum equal to the lesser of (a) the Prime Rate *plus* 2 percentage points, and (b) the maximum non-usurious rate permitted by applicable Law.

"**Development**" means all preparation (other than Exploration) for the removal and recovery of Products, including, but not limited to, pre-stripping, stripping and the construction or installation of a mill, leach facilities, or any other improvements to be used for the mining, handling, milling, processing or other beneficiation of Products, and all related Environmental Compliance.

"**Dilution Multiple**" means 1.5.

"**Encumbrance**" means any mortgage, deed of trust, security interest, pledge, lien, right of first refusal, right of first offer, other preferential right, profits interest, net profits interest, royalty interest, overriding royalty interest, conditional sale or title retention agreement, or other burdens of any nature.

"**Environmental Compliance**" means actions performed during or after Operations to comply with the requirements of all Environmental Laws or contractual commitments related to reclamation of the Properties or other compliance with Environmental Laws.

"**Environmental Compliance Fund**" means the account established under Section 2.14 of **Exhibit B**.

"**Environmental Laws**" means Laws aimed at reclamation or restoration of the Properties; abatement of pollution; protection of the environment; protection of wildlife, including endangered species; ensuring public safety from environmental hazards; employee health and safety; protection of cultural or historic resources; management, storage or control of hazardous materials and substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes into the environment, including

ambient air, surface water and groundwater; and all other Laws relating to the existence, manufacture, processing, distribution, use, treatment, storage, disposal, recycling, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes.

"**Environmental Liabilities**" means any and all Adverse Consequences (including liabilities for studies, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, containment costs, restoration costs, corrective action costs, closure costs, reclamation costs, natural resource damages, property damages, business losses, personal injuries, penalties or fines) that are asserted against the Company, either Member or the Management Committee, by any Person other than the other Members, arising out of, based on or resulting from (a) the presence, release, threatened release, discharge or emission into the environment of any hazardous materials or substances existing or arising on, beneath or above the Properties or emanating, migrating or threatening to emanate or migrate from the Properties to off-site properties, (b) physical disturbance of the environment, or (c) the violation or alleged violation of any Environmental Laws.

"**Existing Data**" means (a) all records, information and data relating to title to the Properties or environmental conditions at or pertaining to the Properties, (b) all maps, assays, surveys, technical reports, drill logs, samples, mine, mill, processing and smelter records, and metallurgical, geological, geophysical, geochemical, and engineering data, and interpretive reports derived therefrom, and (c) all production reports, accounting and financial records, and other material information, in each case pertaining to or developed in operations on the Properties in the possession of, or reasonably available to, Timberline as of the Effective Date, as described on **Exhibit A** in the Contribution Agreement.

"**Exploration**" means all activities directed toward ascertaining the existence, location, quantity, quality or commercial value of deposits of Products, including drilling required after discovery of potentially commercial mineralization, and all related Environmental Compliance.

"**Force Majeure Event**" means, with respect to the Management Committee or any Member, any cause, condition, event or circumstance, whether foreseeable or unforeseeable, beyond its reasonable control, including the following to the extent beyond its reasonable control: (a) labor disputes (however arising and whether or not employee demands are reasonable or within the power of the Member or Management Committee to grant), (b) the inability to obtain on reasonably acceptable terms any Permit or private license, consent or other authorization, and any actions or inactions by any Governmental Authorities or private third parties that delay or prevent the issuance or granting of any Permits or other authorization required to conduct Operations beyond the reasonable expectations of the Member or Management Committee seeking the Permit or other authorization, including (i) the failure to complete any review and analysis required by the National Environmental Policy Act or any similar state law within 5 years of initiation of that process, and (ii) an appeal of the issuance of a Permit or authorization that revokes, suspends or curtails the right under the Permit or authorization to conduct Operations, (c) changes in Law, and instructions, requests, judgments and orders of Governmental Authorities, (d) curtailments or suspensions of activities to remedy or avoid an actual or alleged, present or prospective violation of Environmental Laws, (e) acts of

terrorism, acts of war, and conditions arising out of or attributable to terrorism or war, whether declared or undeclared, (f) riots, civil strife, insurrections and rebellions, (g) fires, explosions and acts of God, including earthquakes, storms, floods, sink holes, droughts and other adverse weather conditions, (h) delays and failures of suppliers to supply, or of transporters to deliver, materials, parts, supplies, services or equipment, (i) contractors' or subcontractors' shortage of, or inability to obtain, labor, transportation, materials, machinery, equipment, supplies, utilities or services, (j) accidents, (k) breakdowns of equipment, machinery or facilities, (l) actions by native rights groups, environmental groups, or other similar special interest groups, and (m) other similar causes, conditions, events and circumstances, whether similar or dissimilar to the foregoing, beyond its reasonable control.

"**GAAP**" means generally accepted accounting principles in the United States.

"**Governmental Authority**" means any domestic or foreign national, regional, state, tribal, or local court, governmental department, commission, authority, central bank, board, bureau, agency, official, or other instrumentality exercising executive, legislative, judicial, taxing, regulatory, or administrative powers or functions of or pertaining to government.

"**Governmental Fees**" means all location fees, mining claim rental fees, mining claim maintenance payments, recording or filing fees and other payments required by Law to be paid to any Governmental Authority to locate or maintain any licenses, permits, unpatented mining claims, concessions, fee lands, mining leases, surface leases or other tenures included in the Properties.

"**Initial Contribution**" means the Capital Contribution that each Member has made or agrees to make under Section 3.2.

"**Insolvency Event**" means, with respect to a Person, the occurrence of any of the following events: (a) a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for a substantial part of the Person's assets is appointed and the appointment is neither made ineffective nor discharged within 60 days after the making thereof, or the appointment is consented to, requested by, or acquiesced in by the Person, (b) the Person commences a voluntary case, or consents to the entry of any order for relief in an involuntary case, under any applicable bankruptcy, insolvency or similar Law, (c) the Person consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of any substantial part of its assets, (d) the Person makes a general assignment for the benefit of creditors or fails generally to pay its debts as they become due, or (e) entry is made against the Person of a judgment, decree or order for relief affecting a substantial part of its assets by a court of competent jurisdiction in an involuntary case commenced under any applicable bankruptcy, insolvency or other similar Law.

"**Interest**" means, with respect to a Member (a) the limited liability company interest of the Member, including the Member's Capital Account and share of items of Profit, Loss and credits of, and the right to receive distributions (liquidating or otherwise) from the Company under the terms of this Agreement, (b) the Member's status as a Member, (c) all other rights, benefits and privileges enjoyed by the Member in its capacity as a Member, including the Member's rights to vote, consent and approve those matters described in this Agreement, and (d)

all obligations, duties and liabilities imposed on the Member under this Agreement in its capacity as a Member (but not in any other capacity). The Interest of a Member shall be reflected as a percentage, reflecting the percentage interest of the Member in certain allocations of items of Profit, Loss and credit and certain distributions of cash or property, as the percentage interest may from time to time be adjusted under this Agreement. Interests shall be calculated to three decimal places and rounded to two (e.g., 1.519% rounded to 1.52%). Decimals of 0.005 or more shall be rounded up to 0.01. Decimals of less than 0.005 shall be rounded down. The initial Interests of the Members as of the Effective Date are in Section 3.1(a).

"**Law**" means all applicable federal, state, local, municipal, tribal and foreign laws (statutory or common), rules, ordinances, regulations, grants, concessions, franchises, licenses, orders, directives, judgments, decrees, and other governmental restrictions, including permits and other similar requirements, whether legislative, municipal, administrative or judicial in nature.

"**Leased Property**" means the undivided 100% leasehold interest in certain fee lands and unpatented mining claims in Eureka County, Nevada, as more particularly described as the "Leased Property" in **Exhibit A**.

"**Leases**" means the mining leases covering the Leased Property in the description of Underlying Agreements in **Exhibit A**.

"**Loss**" mean any item of loss or deduction of the Company as determined under the capital accounting rules of Treasury Regulation § 1.704-1(b)(2)(iv) for purposes of adjusting the capital accounts of the Members including, without limitation, the provisions of paragraphs (b), (f) and (g) of those regulations relating to the computation of items of deduction and loss.

"**Member**" and "**Members**" mean Timberline and PM&G and any other Person admitted as a substituted or additional Member of the Company under this Agreement. The term "Member" also includes a former Member, but only to the extent of any rights or obligations under this Agreement that expressly survive the resignation of the Member, the Transfer of the Member's Interest or the dissolution and liquidation of the Company.

"**Misconduct**" means, with respect to a Member (a) an unauthorized act or assumption of liability by the Member, or any of its directors, officers, employees, agents and attorneys done or undertaken, or apparently done or undertaken, on behalf of the Company or the other Member, except under the authority expressly granted in this Agreement or as otherwise agreed in writing by the Members, (b) a material breach by the Member in its capacity as a Member of any covenant contained in this Agreement, or (c) if the Member or an Affiliate of the Member is a Representative, a material breach by the Representative of any of its obligations under this Agreement that (i) constitutes a breach of its standard of care under Section 5.4, as limited by Section 5.5 and (ii) continues for 30 days after notice from any other Member demanding performance (unless the Representative in good faith disputes the existence of the material breach).

"**Mining**" means the mining, extracting, producing, handling, milling or other processing of Products.

"**Net Proceeds**" means the amounts calculated as provided in **Exhibit D** that may be payable to a Member after the resignation or deemed resignation of the Member as provided in this Agreement.

"**Net Smelter Returns Royalty**" means a net smelter returns royalty that may be granted by the Company to a Member upon the resignation or deemed resignation of such Member as provided in this Agreement in the form of the Net Smelter Returns Royalty Deed attached as **Exhibit E**.

"**Operations**" means the activities and operations of the Company.

"**Owned Property**" means the undivided 100% interest in certain unpatented mining claims in Eureka County, Nevada, as more particularly as the "Owned Property" in **Exhibit A**.

"**Permit**" means any permit, franchise, license, authorization, order, certificate, registration, variance, settlement, compliance plan or other consent or approval granted by any Governmental Authority.

"**Permitted Encumbrance**" means, with respect to any Assets, (a) Encumbrances specifically approved by the Management Committee, (b) mechanic's, materialmen's or similar Encumbrances if payment of the secured obligation is not yet overdue or being contested in good faith, (c) Encumbrances for Taxes, assessments, obligations under workers' compensation or other social welfare legislation or other requirements, charges or levies of any Governmental Authority, in each case not yet overdue or being contested in good faith, (d) Encumbrances existing at the time of, or created concurrent with, the acquisition of the Assets, (e) easements, servitudes, rights-of-way and other rights, exceptions, reservations, conditions, limitations, covenants and other restrictions that do not materially interfere with, materially impair or materially impede the Business or Operations or the value or use of the Assets, (f) pledges and deposits to secure the performance of bids, tenders, trade or government contracts (other than for repayment of borrowed money), leases, licenses, statutory obligations, surety bonds, performance bonds, completion bonds and other similar obligations that are incurred in the ordinary course of Operations on the Assets, and (g) Encumbrances consisting of (i) rights reserved to or vested in any Governmental Authority to control or regulate the Assets, (ii) obligations or duties to any Governmental Authority with respect to any Permits and the rights reserved or vested in any Governmental Authority to terminate Permits or to condemn or expropriate property, and (iii) zoning or other land use or Environmental Laws of any Governmental Authority.

"**Person**" means a natural person, corporation, joint venture, partnership, limited liability partnership, limited partnership, limited liability limited partnership, limited liability company, trust, estate, business trust, association, Governmental Authority or other entity.

"**Prime Rate**" means the interest rate quoted as "Prime" by JPMorgan Chase and Co., at its head office, as the rate may change from day to day (which quoted rate may not be the lowest rate at which the bank loans funds).

"**Products**" means all ores, minerals and mineral resources produced from the Properties.

"**Profit**" means any item of income or gain of the Company as determined under the capital accounting rules of Treasury Regulation § 1.704-1(b)(2)(iv) for purposes of adjusting the Capital Accounts of the Members including, without limitation, the provisions of paragraphs (b), (f) and (g) of those regulations relating to the computation of items of income or gain.

"**Program**" means a description in reasonable detail of Operations to be conducted and objectives to be accomplished by the Management Committee for a year or any longer period.

"**Properties**" means (a) the Owned Property and the Leased Property, together with all water and water rights, easements and rights-of-way, and other appurtenances attached to or associated with the Owned Property or the Leased Property, and (b) all other interests in real property within the Area of Interest that are acquired by the Company.

"**Qualifying Expenses**" mean costs and expenses incurred during the Earn-In Period that are properly chargeable to the Business Account under **Exhibit B**, and, in the case of the Phase I Earn-In are part of the approved Phase I Approved Program and Budget. For greater certainty, any expenses incurred for Phase II prior to the end of the Phase I Earn-In Period that are not part of the Approved Program and Budget for Phase I shall not count as Qualifying Expenses for the purposes of the Phase I Earn-In.

"**Securities Act**" means the Securities Act of 1933, together with the rules and regulations promulgated by the United States Securities and Exchange Commission under the statute.

"**Tax Distribution Amount**" means, with respect to each Member, the remainder (but not below zero) of the amount calculated in clause (a) below minus the amount calculated in clause (b) below.

(a) The amount under this clause (a) is the product of Tax Percentage multiplied by the remainder of (i) the cumulative amounts of items of income and gain allocated to the Member for federal income tax purposes for all periods (excluding gains from the sale of all or substantially all the assets of the Company), minus (ii) the cumulative amounts of items of deduction, loss and expense allocated to the Member for federal income tax purposes for all periods (excluding losses from the sale of all or substantially all of the assets of the Company).

(b) The amount under this clause (b) is the cumulative distributions distributed to the Member pursuant to this Agreement for all periods.

"**Tax Percentage**" means a percentage (which percentage shall be the same for each Member regardless of such Member's actual effective state or federal tax rates) established at the maximum marginal state and federal tax rates in effect for corporations resident in the State of Delaware for the calendar year to which the applicable Tax Distribution relates or such other rate as the Management Committee shall reasonably determine. The Tax Percentage shall be such percentage reasonably determined by the Management Committee in accordance with the preceding sentence from time to time.

"**Transfer**" means, with respect to any asset, including any Interest or other interest in the Company (including any right to receive distributions from the Company or any other economic interest in the Company), a sale, assignment, transfer, conveyance, gift, exchange or other disposition of the asset, whether the disposition is voluntary, involuntary or by merger, exchange, consolidation, bankruptcy or other operation of Law, including (a) in the case of an asset owned by a natural person, a transfer of the asset upon the death of its owner, whether by will, intestate succession or otherwise, (b) in the case of an asset owned by a Person that is not a natural person, a distribution of the asset, including in connection with the dissolution, liquidation, winding up or termination of the Person (other than a liquidation under a deemed termination solely for tax purposes), and (c) a disposition in connection with, or in lieu of, a foreclosure of an Encumbrance on the asset; *provided,* that the creation of an Encumbrance on an asset shall not constitute a Transfer of the asset.

"**Underlying Agreement**" means any agreement, conveyance or instrument to which any of the Properties are subject and that contain unperformed, ongoing or surviving obligations or liabilities of any party, including the Leases and the other agreements, conveyances and instruments contributed to the Company by Timberline and described on **Exhibit A**.

2. Terms Defined in the Agreement. As used in the Agreement, the following terms have the meanings given in the Agreement where indicated below:

Defined Term	Where Defined
AAA	Section 11.3
Acquiring Member	Section 10.1(b)
Agreement	Introductory paragraph
Amendments	Section 6.5
Arbitration Panel	Section 11.3(a)
Contributing Member	Section 6.6(b)
Covered Real Property	Section 10.1(a)
Default Amount	Section 3.6(a)
Default Loan	Section 3.6(b)
Delinquent Member	Section 3.6(a)
Dispute	Section 11.1
Dispute Party	Section 11.1
Earn-in Period	Section 3.2(b)(ii)
Effective Date	Introductory paragraph
Excess Contribution	Section 6.6(b)

Indemnified Member Parties	Section 4.3(a)
Indemnifying Member	Section 4.3(a)
Independent Accountant	Section 6.13(a)
Joint Funding	Section 3.4.
Major Decision	Section 5.2(f).
Management Committee	Section 5.2(a)
Member Audit	Section 6.13(b)
Minimum Expense Amount	Section 3.2(b)
Minimum Work Requirement	Section 3.2(b)
Monthly Capital Call	Section 7.3(d)
Non-Contributing Member	Section 6.6(a)
Non-Contribution Notice	Section 6.6(a)
Non-Defaulting Member	Section 3.6(a)
Notified Member	Section 8.4(a)
Offer Notice	Section 8.4(a)
Offered Interest	Section 8.4(a)
Offered Price	Section 8.4(a)
Offered Terms	Section 8.4(a)
Permitted Interest Encumbrance	Section 8.2(b)
Permitted Transfer	Section 8.2(a)
Phase I Contribution	Section 3.2(b)(i)
Phase I Due Date	Section 3.2(b)(i)
Phase I Earn-In Period	Section 3.2(b)(i)
Phase II Contribution	Section 3.2(b)(ii)
Phase II Due Date	Section 3.2(b)(ii)
Phase II Earn-In Period	Section 3.2(b)(ii)
Phase II Interest	Section 3.2(b)(ii)
Phase II Notice	Section 3.2(b)(ii)
PM&G	Introductory paragraph
PM&G Products	Section 7.3(a)
Representatives	Section 5.2(a).
Requesting Member	Section 7.3(b)
Selling Member	Section 8.4(a)
Tax Distribution	Section 7.1(d)
Timberline	Introductory paragraph
Timberline Phase II Interest	Section 3.2(b)(ii)
Timberline Products	Section 7.3(a)
Underfunded Amount	Section 6.6(a)

Exhibit 21.1

List of Subsidiaries of Timberline Resources Corporation

Staccato Gold Resources Ltd., British Columbia, Canada

BH Minerals USA Inc., Colorado

Wolfpack Gold (Nevada) Corp., Nevada

Talapoosa Development Corp., Delaware

Exhibit 31.1

CERTIFICATION

I, Steven A. Osterberg, certify that:

1. I have reviewed this annual report on Form 10-K 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 (fourth 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 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:

   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: January 10, 2020

By: /s/ Steven A. Osterberg
Steven A. Osterberg, President, Chief Executive Officer and Principal Executive Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

CERTIFICATION

I, Ted R. Sharp, certify that:

1. I have reviewed this annual report on Form 10-K 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 (fourth 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 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:

   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: January 10, 2020

By: /s/ Ted R. Sharp
Ted R. Sharp, Chief Financial Officer, Principal Financial Officer

A signed original of this written statement has been provided to the registrant and will be retained by the registrant to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.1

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 Annual Report of Timberline Resources Corporation, (the "Company") on Form 10-K for the period ending September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven A. Osterberg, Chief Executive Officer, President and Principal Executive 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 Timberline Resources Corporation.

/s/ Steven A. Osterberg Date: January 10, 2020

Steven A. Osterberg, Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to Timberline Resources Corporation and will be retained by Timberline Resources Corporation to be furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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 Annual Report of Timberline Resources Corporation, (the "Company") on Form 10-K for the period ending September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ted R. Sharp, Chief Financial Officer and Principal 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 Timberline Resources Corporation.

/s/ Ted R. Sharp DATE: January 10, 2020

Ted R. Sharp, Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Timberline Resources Corporation and will be retained by Timberline Resources Corporation to be furnished to the Securities and Exchange Commission or its staff upon request.