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

FORM 10-Q

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

For the quarterly period ended March 31, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 001-34055



TIMBERLINE RESOURCES CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

82-0291227

(State of other jurisdiction of incorporation or organization)

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

**101 EAST LAKESIDE AVENUE
COEUR D'ALENE, IDAHO**

(Address of Principal Executive Offices)

83814

(Zip Code)

(208) 664-4859

(Registrant's Telephone Number, including Area Code)

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 TBR	OTCQB TSX-V

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions 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

Small Reporting Company

(Do not check if a 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

Number of shares of issuer's common stock outstanding at May 15, 2020: 74,895,260

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COVID-19

In March 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention. Its rapid spread around the world and throughout the United States prompted many countries, including the United States, to institute restrictions on travel, public gatherings and certain business operations. These restrictions significantly disrupted economic activity in Timberline Resource's business, as manifested in:

- the inability of Company management, geologic professionals and contractors to travel to the Company's Nevada properties to engage in any meaningful field work,
- the restrictions placed on face-to-face meetings with staff, members of the Board of Directors and other direct stakeholders to smoothly conduct Company business, and
- the effects of a general slowdown in capital markets and investor activities in the Company's industry as it conducted ongoing, and yet fruitless capital-raising activities,

As of March 31, 2020, the disruption did not materially impact the Registrants' financial statements. However, if the severity of the economic disruptions increase as the duration of the COVID-19 pandemic continues, the negative financial impact due to limitation in conducting geologic field work and exploration activities could be significantly greater in future periods than in the second quarter.

The effects of the continued outbreak of COVID-19 and related government responses could also include extended disruptions to supply chains and capital markets, reduced availability of contractors and a prolonged reduction in economic activity. These effects could have a variety of adverse impacts to the Company, including its ability to conduct exploration activities. As of March 31, 2020, there were no material adverse impacts to the Company's operations due to COVID-19.

In addition, the economic disruptions caused by COVID-19 could also adversely impact the impairment risks for certain long-lived assets and equity method investments. Timberline Resources evaluated these impairment considerations and determined that no such impairments occurred as of March 31, 2020.

As of March 31, 2020, Timberline Resource's available liquidity is approximately \$167,000. Management believes the Company has adequate liquidity under existing credit facilities and operating agreements. To the extent that future access to the capital markets or the cost of funding is adversely affected by COVID-19, the Company may need to consider alternative sources of funding for operations and working capital, which may adversely impact future results of operations, financial condition, and cash flows.

In March 2020, President Trump signed into law legislation referred to as the "Coronavirus Aid, Relief, and Economic Security Act" (the CARES Act). The CARES Act includes tax relief provisions such as: (a) an Alternative Minimum Tax (AMT) Credit Refund, (b) a 5-year net operating losses (NOL) carryback from years 2018-2020 and (c) delayed payment of employer payroll taxes. As of March 31, 2020, Timberline Resources has approximately \$46 million in NOL's, which cannot be carried back to prior years to generate tax refunds, since no tax has been paid in those years by the Company.

The Company is taking steps to mitigate the potential risks to suppliers and employees posed by the spread of COVID-19. The Company has implemented work from home policies where appropriate. The Company will continue to monitor developments affecting both their workforce and contractors, and will take additional precautions that management determines are necessary in order to mitigate the impacts. As of March 31, 2020, there has been no material adverse impact to the Company's business operations due to remote work. Management will continue to review and modify plans as conditions change. Despite efforts to manage these impacts to the Registrants, the ultimate impact of COVID-19 also depends on factors beyond management's knowledge or control, including the duration and severity of this outbreak as well as third-party actions taken to contain its spread and mitigate its public health effects. Therefore, management cannot estimate the potential future impact to financial position, results of operations and cash flows, but the impacts could be material.

PART I — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES

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**TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	March 31, 2020	September 30, 2019
ASSETS		
CURRENT ASSETS:		
Cash	\$ 167,655	\$ 30,757
Prepaid expenses and other current assets	48,153	21,132
Account receivable	-	118,525
TOTAL CURRENT ASSETS	215,808	170,414
PROPERTY, MINERAL RIGHTS AND EQUIPMENT, net	14,965,634	15,023,843
OTHER ASSETS:		
Reclamation bonds	292,684	305,184
Deposits and other assets	5,700	5,700
TOTAL OTHER ASSETS	298,384	310,884
TOTAL ASSETS	\$ 15,479,826	\$ 15,505,141
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 22,345	\$ 103,485
Accrued expenses	17,326	102,236
Accrued interest	2,928	10,956
Accrued interest – related party	142,434	83,107
Accrued payroll, benefits and taxes	23,558	24,038
Related party advance	205,194	-
Payment obligation, current	150,239	178,533
Senior unsecured note payable – related party, net of discount	209,151	-
TOTAL CURRENT LIABILITIES	773,175	502,355
LONG-TERM LIABILITIES:		
Asset retirement obligation	172,784	168,619
Senior unsecured note payable – related party	300,000	452,255
TOTAL LONG-TERM LIABILITIES	472,784	620,874
TOTAL LIABILITIES	1,245,959	1,123,229
COMMITMENTS AND CONTINGENCIES (Note 9)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 200,000,000 shares authorized, 74,895,260 and 67,395,260 shares issued and outstanding, respectively	74,895	67,395
Additional paid-in capital	75,492,358	74,568,258
Accumulated deficit	(61,333,386)	(60,253,741)
TOTAL STOCKHOLDERS' EQUITY	14,233,867	14,381,912
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,479,826	\$ 15,505,141

See accompanying notes to consolidated financial statements.

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

	Three months ended March 31,		Six months ended March 31,	
	2020	2019	2020	2019
OPERATING EXPENSES:				
Mineral exploration	\$ 12,749	\$ 28,502	\$ 159,231	\$ 300,027
Salaries and benefits	67,324	47,467	192,614	71,661
Professional fees	50,614	69,740	119,465	162,532
Insurance expense	33,436	25,411	52,178	48,047
Other general and administrative	98,150	6,994	250,322	107,377
TOTAL OPERATING EXPENSES	262,273	178,114	773,810	689,644
LOSS FROM OPERATIONS	(262,273)	(178,114)	(773,810)	(689,644)
OTHER INCOME (EXPENSE):				
Foreign exchange gain (loss)	392	(204)	394	752
Loss on extinguishment of debt – related party	-	-	(195,611)	-
Interest expense	(7,120)	(5,288)	(19,531)	(10,049)
Interest expense – related party	(46,034)	(34,321)	(91,112)	(68,643)
Miscellaneous other income	9	3	25	7
TOTAL OTHER INCOME (EXPENSE)	(52,753)	(39,810)	(305,835)	(77,933)
LOSS BEFORE INCOME TAXES	(315,026)	(217,924)	(1,079,645)	(767,577)
INCOME TAX PROVISION (BENEFIT)	-	-	-	-
NET LOSS	\$ (315,026)	\$ (217,924)	\$ (1,079,645)	\$ (767,577)
NET LOSS PER SHARE				
BASIC AND DILUTED	\$ (nil)	\$ (nil)	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	74,895,260	61,627,201	73,952,637	61,204,693

See accompanying notes to consolidated financial statements.

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

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance, September 30, 2019	67,395,260	\$ 67,395	\$ 74,568,258	\$ (60,253,741)	\$ 14,381,912
Common stock and warrants issued for cash	7,500,000	7,500	592,500	-	600,000
Stock based compensation	-	-	161,100	-	161,100
Warrants issued for extinguishment of debt – related party	-	-	170,500	-	170,500
Net loss	-	-	-	(764,619)	(764,619)
Balance, December 31, 2019	74,895,260	74,895	\$ 75,492,358	(61,018,360)	\$ 14,548,893
Net loss	-	-	-	(315,026)	(315,026)
Balance, March 31, 2020	74,895,260	\$ 74,895	\$ 75,492,358	\$ (61,333,386)	\$ 14,233,867

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
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 at \$0.08 per unit	7,500,000	7,500	592,500	-	600,000
Stock based compensation	-	-	5,000	-	5,000
Warrants issued for joint venture to AGEI	-	-	176,000	-	176,000
Net loss	-	-	-	(549,653)	(549,653)
Balance, December 31, 2018	61,027,819	61,028	\$ 73,970,930	(59,146,111)	\$ 14,885,847
Common Stock and warrants issued for cast at \$0.09 per unit	2,000,000	2,000	158,000	-	160,000
Net loss	-	-	-	(217,924)	(217,924)
Balance, March 31, 2019	63,027,819	\$ 63,028	\$ 74,128,930	\$ (59,364,035)	\$ 14,827,923

See accompanying notes to consolidated financial statements.

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

	Six Months Ended March 31,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,079,645)	\$ (767,577)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock-based compensation	161,100	5,000
Accretion of asset retirement obligation	4,165	3,967
Amortization of discount on senior unsecured notes payable – related party	31,785	39,815
Loss on extinguishment of debt – related party	195,611	-
Changes in assets and liabilities:		
Prepaid expenses and other current assets	(27,021)	(29,284)
Accounts receivable	118,525	-
Accounts payable	(81,140)	(30,282)
Accrued expenses	(84,910)	39,174
Accrued interest	(8,028)	-
Accrued interest – related party	59,327	-
Accrued payroll, benefits and taxes	(480)	20,205
Related party advance	205,194	-
Net cash used by operating activities	<u>(505,517)</u>	<u>(718,982)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of mineral rights	-	(36,000)
Proceeds from lease of mineral rights	58,209	51,188
Refund of reclamation bond	12,500	-
Net cash provided by investing activities	<u>70,709</u>	<u>15,188</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock and warrants, net	600,000	760,000
Cash paid on payment obligation	(28,294)	(20,273)
Net cash provided by financing activities	<u>571,706</u>	<u>739,727</u>
Net increase in cash and cash equivalents	136,898	35,933
CASH AT BEGINNING OF PERIOD	30,757	110,736
CASH AT END OF PERIOD	<u>\$ 167,655</u>	<u>\$ 146,669</u>
NON-CASH FINANCING AND INVESTING ACTIVITIES:		
Warrants issued for purchase of mineral properties	<u>\$ -</u>	<u>\$ 176,000</u>

See accompanying notes to consolidated financial statements.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020 (Unaudited)

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.

Basis of Presentation - The unaudited financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information, as well as the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company’s management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three and six-month periods ended March 31, 2020 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2020.

For further information refer to the financial statements and footnotes thereto in the Company’s Annual Report on Form 10-K for the year ended September 30, 2019.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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 GAAP and have been consistently applied in the preparation of the financial statements.

- a. *Going Concern* – 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. Additionally, the current capital markets and general economic conditions in the United States and Canada are significant obstacles to raising the required funds. 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 August 2018, the FASB issued ASU No. 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement. The update removes, modifies and makes additions to the disclosure requirements on fair value measurements. The update is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Management is evaluating the impact of this update on the Company’s fair value measurement 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.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020 (Unaudited)

- d. *Reclassifications* - Certain reclassifications may have been made to conform prior period's data to the current presentation. These reclassifications have no effect on the results of reported operations or stockholders' equity or cash flows.
- e. *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.
- f. *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 asset impairments, asset retirement obligations, stock-based compensation, and valuation of equity securities, such as warrants. 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.
- g. *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

- h. *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 March 31, 2020 and 2019 is as follows:

	March 31, 2020	March 31, 2019
Stock options	5,400,000	3,280,000
Warrants	45,541,908	51,106,373
Total potential dilution	<u>50,941,908</u>	<u>54,386,373</u>

At March 31, 2020 and 2019, the effect of the Company's common stock equivalents would have been anti-dilutive. Accordingly, only basic EPS is presented.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2020 (Unaudited)

NOTE 3 – PROPERTY, MINERAL RIGHTS, AND EQUIPMENT:

The following is a summary of property, mineral rights, and equipment and accumulated depreciation at March 31, 2020 and September 30, 2019, respectively:

	Expected Useful Lives (years)	March 31, 2020	September 30, 2019
Mineral rights - Eureka	-	\$ 8,874,649	\$ 8,932,858
Mineral rights – Investment in LLC	-	4,770,793	4,770,793
Mineral rights – Elder Creek	-	1,218,715	1,218,715
Mineral rights – Other	-	50,000	50,000
Total mineral rights		14,914,157	14,972,366
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		\$ 14,965,634	\$ 15,023,843

Depreciation expense for the three and six months ended March 31, 2020 and 2019, was nil and nil, respectively.

For the three and six months ended March 31, 2020 and 2019, the Company received lease payments of \$26,104 and \$25,593, and \$58,209 and \$51,188, respectively, from a third party on two of the Company's leases at the Company's Eureka property. Monthly payments in the amount of approximately \$8,500 are expected to continue to be received. 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, an amendment to the Definitive Agreement required the Company to deliver to AGEI 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 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 with a fair value of \$176,000 on December 31, 2018.

Lookout Mountain LLC – Related Party:

On June 28, 2019, the Company entered into a Limited Liability Company Agreement 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.

The LLC Agreement calls for PM&G to fund exploration and development activities in two stages for an earned equity in the project. Timberline contributed certain claims that constitute the Lookout Mountain project and adjacent historical Oswego Mine area (the "Project") to the limited liability company in exchange for a 49% ownership position. Timberline is responsible for setting the exploration budget, plans and executing those plans for the project at least through Stage I of

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
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MARCH 31, 2020 (Unaudited)

the investment, but does not control the LLC. 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.

During the three and six months ended March 31, 2020, the Company paid \$16,725 and \$36,688, respectively, for Stage I exploration costs incurred by the Company on behalf of Lookout Mountain LLC, predominantly consulting and related expenses paid to consultants employed by the Company. The Company was fully reimbursed for these expenditures.

Reclamation Bonds

When the Company files an exploration plan with the Bureau of Land Management ("BLM") in the State of Nevada, a reclamation bond is calculated by the BLM and paid by the Company. Since 2016, a bond of \$205,194 has been held by the BLM for claims subsequently transferred to Lookout Mountain LLC, a related party. Because the Company is the legal obligor under a mining permit for these claims, as well as the associated Asset Retirement Obligation ("ARO"), neither the reclamation bond nor the ARO can be transferred to Lookout Mountain LLC until PM&G's interest in the LLC Agreement vests with the completion of its funding requirements under the LLC Agreement, and the LLC becomes the legal obligor under the mining permit. During the quarter ended March 31, 2020, Lookout Mountain LLC remitted \$205,194 cash to the Company as an advance, to be satisfied with the future transfer of the bond and the ARO to the LLC. The Company holds \$87,490 in reclamation bond deposits for other claims it holds. During the six months ended March 31, 2020, \$12,500 excess deposits on other claims previously held by the Company were refunded, resulting in a reclamation bond deposit balance of \$292,684 for the Company at March 31, 2020. At September 30, 2019, the reclamation bond deposit balance was \$305,184.

NOTE 4 – RELATED-PARTY TRANSACTIONS:

In addition to the related-party transactions described in Note 6, during the six months ended March 31, 2020, a member of the Board of Directors, William Matlack, participated in a private placement offering of Units of the Company, purchasing 7,500,000 units for total proceeds of \$600,000. Mr. Matlack subscribed to 7,125,000 units for a total of \$570,000. See Note 7 for details of the private placement.

In connection with the Definitive Agreement with AGEI for the purchase of two joint venture interests during the fiscal year ended September 30, 2018, 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.

During the six months ended March 31, 2019, the Board of Directors issued 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 7 for valuation assumptions).

During the six months ended March 31, 2019, two executive officers participated in a private placement offering of Units of the Company, purchasing, in the aggregate, 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. The participation of the executive officers of the Company was done at the same terms as the other investors in the private placement offering. The Board of Directors approved the insiders' participation in the private placement.

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

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unpaid principal amount of the Payment Obligation at the Wells Fargo Bank prime rate (3.25% at March 31, 2020), 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 through equity sales, borrowings 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.

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, 5% of the second Senior unsecured note of \$250,000. Payment of the remaining \$40,470 of delinquent amounts, representing 5% of three private placements of \$80,000, \$160,000 and \$269,395 respectively and 5% on a Senior unsecured notes payable totaling \$300,000, 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. The due date of the Payment Agreement was not modified by the Addendum.

During the six months ended March 31, 2020, the Company paid \$42,500, including interest of \$14,206, to the Creditor. The balance of the Payment Obligation was \$150,239 and \$178,533 at March 31, 2020 and September 30, 2019, respectively.

NOTE 6 – SENIOR UNSECURED NOTE PAYABLE – RELATED PARTY:

On July 30, 2018, the Company entered into a loan agreement and promissory note with William Matlack, a significant shareholder and a director as of October 29, 2019, (the “Lender”), thereafter becoming a related party. 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 would have become due for repayment on January 20, 2020, but could have been 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 was \$0.09, and the warrants contained 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.

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, with the terms of the original note staying the same. The Series F Warrants were cancelled and replaced with 4,000,000 Series K Warrants issued solely in relation to the extension of the note, with expiration at February 1, 2023 and an exercise price of \$0.08. 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. The Company accounted for the change in terms of this Senior unsecured note payable as a debt modification in accordance with ASC 470. The fair value of the Series K Warrants issued in connection with the extension of the senior unsecured note and the fair value of the Series F Warrants at the date of amendment were estimated at \$227,600 and \$57,100, respectively, based upon fair values as calculated by a Black-Scholes option-pricing model using the following assumptions.

	Series K Warrants Issued October 4, 2019	Series F Warrants Canceled October 4, 2019
Expected volatility	147.20%	147.20%
Stock price on date of grant	\$0.07	\$0.07
Exercise price	\$0.08	\$0.09
Expected dividends	-	-
Expected term (in years)	3.333	.333
Risk-free rate	1.34%	1.34%
Expected forfeiture rate	0%	0%

The unamortized discount related to the Series F warrants was \$25,111 at the time of the amendment. The net difference in the fair values of the warrants of \$170,500, together with the unamortized discount, were recorded as a loss on extinguishment of debt of \$195,611 in the quarter ended December 31, 2019.

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At March 31, 2020, the note payable was \$300,000, with all discounts fully amortized. At September 30, 2019, the note payable was \$274,889, which is net of the unamortized discount of \$25,111.

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 \$15,770 and \$31,787 amortized to interest expense in the three and six months ended March 31, 2020, respectively.

At March 31, 2020, the note payable was \$209,151, net of the unamortized discount of \$40,849. 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 the note	\$0.07
Exercise price	\$0.07
Expected dividends	-
Expected term (in years)	1.5
Risk-free rate	2.26%
Expected forfeiture rate	0%

The accrued interest on the senior unsecured notes payable was \$142,434 and \$83,107 at March 31, 2020 and September 30, 2019, respectively. Interest expense related to the Senior unsecured notes payable to this related party was \$59,327 for the six months ended March 31, 2020, and \$73,714 for the year ended September 30, 2019.

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.

NOTE 7 – COMMON STOCK, WARRANTS AND PREFERRED STOCK:

Common Shares - Private Placement

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.

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 the Company.

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The fair value of warrants was determined with a Black-Scholes option-pricing model to be \$266,500. The assumptions used to calculate fair values are noted in the following table:

Series J Warrants Issued October 23, 2019	
Expected volatility	149.30%
Stock price on date of grant	\$0.08
Exercise price	\$0.12
Expected dividends	-
Expected term (in years)	.55
Risk-free rate	1.58%
Expected forfeiture rate	0%

The fair value of the warrants was charged to additional paid-in capital as a deemed dividend, due to the warrants being issued with common shares and being immediately exercisable.

Warrants

During the six-month period ended March 31, 2020, there were 3,750,000 Series J Warrants issued pursuant to the private placement offering and 4,000,000 Series K Warrants issued pursuant solely to extension of the Senior unsecured note payable, with 3,265,500 Series F Warrants canceled in connection with the extension. Additionally, there were 3,367,441 Series H Warrants issued pursuant to PM&G's participation in a private placement in July 2019 that had not been issued or included in the September 30, 2019 warrants outstanding. On January 31, 2020, 8,000,000 Series B Warrants expired. As a result of these issuances and expirations, there were 45,541,908 and 45,689,967 warrants outstanding as of March 31, 2020 and September 30, 2019, respectively. The warrants expire from April 30, 2021 through October 15, 2024. The weighted average exercise price was \$0.17 and \$0.21 as of March 31, 2020 and September 30, 2019, respectively.

NOTE 8 – STOCK-BASED AWARDS:

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.

The fair value of the option awards granted during the six-month period ended March 31, 2020 was \$161,100, measured on the date of the grant with a Black-Scholes option-pricing model using the assumptions noted in the following table:

Options Granted During the Six-Months Ended March 31, 2020	
Expected volatility	149.5%
Stock price on date of grant	\$0.07
Exercise price	\$0.08
Expected dividends	-
Expected term (in years)	5
Risk-free rate	1.66%
Expected forfeiture rate	0%

During the quarter ended December 31, 2018, the Board of Directors issued 100,000 stock options to the Chief Financial Officer. The fair value of the option award was \$5,000 and measured on the date of the grant with a Black-Scholes option-pricing model.

During the quarter ended December 31, 2018, 100,000 options were terminated as a result of the resignation of a member of the Board of Directors.

During the quarter ended March 31, 2020, 250,000 options held by a third-party vendor expired.

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The following is a summary of options issued and outstanding at March 31, 2020:

	Options	Weighted Average Exercise Price
Outstanding at September 30, 2019	3,280,000	\$ 0.26
Granted	2,550,000	.08
Terminated	<u>(180,000)</u>	<u>(0.48)</u>
Outstanding at December 31, 2019	5,650,000	0.17
Granted	-	-
Expired	<u>(250,000)</u>	<u>-</u>
Outstanding and exercisable at March 31, 2020	<u>5,400,000</u>	<u>\$ 0.17</u>

The aggregate of options exercisable as of March 31, 2020 had an intrinsic value of nil, based on the closing price of \$0.05 per share of the Company's common stock on March 31, 2020.

NOTE 9 – COMMITMENTS AND CONTINGENCIES:

Mineral Exploration

The Company 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 and Year 2 work commitments were completed by December 31, 2018 and December 31, 2019, respectively:

- 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

The Company's office in Coeur d'Alene, Idaho and its facilities in Eureka, Nevada are rented on a month-to-month basis.

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

As used in herein, the terms "Timberline," the "Company," "we," "us," and "our" refer to Timberline Resources Corporation.

This discussion and analysis contains forward-looking statements that involve known or unknown risks, uncertainties and other factors that may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Except for historical information, the matters set forth herein, which are forward-looking statements, involve certain risks and uncertainties that could cause actual results to differ. Potential risks and uncertainties include, but are not limited to, unexpected changes in business and economic conditions; significant increases or decreases in gold prices; changes in interest and currency exchange rates; unanticipated grade changes; metallurgy, processing, access, availability of materials, equipment, supplies and water; results of current and future exploration and production activities; local and community impacts and issues; timing of receipt and maintenance of government approvals; accidents and labor disputes; environmental costs and risks; competitive factors, including competition for property acquisitions; and availability of external financing at reasonable rates or at all, and those set forth under the heading "Risk Factors" in our Form 10-K filed with the United States Securities and Exchange Commission (the "SEC") on December 27, 2018. Forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continues" or the negative of these terms or other comparable terminology. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievements. Forward-looking statements are made based on management's beliefs, estimates, and opinions on the date the statements are made, and the Company undertakes no obligation to update such forward-looking statements if these beliefs, estimates, and opinions should change, except as required by law.

This discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes. The discussion and analysis of the financial condition and results of operations are based upon the unaudited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis the Company reviews its estimates and assumptions. The estimates were based on historical experience and other assumptions that the Company believes to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but the Company does not believe such differences will materially affect our consolidated financial position or results of operations. Critical accounting policies, the policies the Company believes are most important to the presentation of its consolidated financial statements and require the most difficult, subjective and complex judgments are outlined below in "Critical Accounting Policies" and have not changed significantly.

Corporate Overview

Our business is mineral exploration in Nevada with a focus on district-scale gold, and copper-gold projects such as our Eureka and Elder Creek projects, respectively.

Summary of the three and six months ended March 31, 2020:

During the three-month period ended March 31, 2020, our exploration activities were limited to geological studies, property reviews, and analyzing the results of the drilling activities of the fiscal 1999 and first quarter FY 2020. The announcements of those analyzed results are included in the accomplishments of the six-month period below.

Funding for the three-month period was delayed, precluding drilling planned for the 2020 winter season. Additionally, the COVID-19 travel restrictions prevented any significant field work during the quarter.

Management spent additional time and efforts during the quarter to develop relationships with potential investors, joint ventures partners or property acquisition candidates with an eye toward moving each property forward.

During the six-month period ended March 31, 2020, we accomplished the following:

1. We announced and closed a private placement of units of the Company's equity for \$600,000 cash,
2. We added a qualified person to the Board of Directors,
3. We granted stock options to the new Board members and to the other directors and officers,
4. We extended the terms of the \$300,000 Senior Note Payable for an additional three years to January 20, 2023,
5. We drilled a long interval of copper-silver porphyry-style mineralization in the initial test of the Morning Glory Hill target at our Elder Creek project in the Battle Mountain district of Nevada (announced January 8, 2020),
6. We confirmed structural-hosted gold, and a porphyry hosted gold discovery on our Paiute project in the Battle Mountain district of Nevada (announced January 16, 2020), and
7. We completed core relogging and geologic modelling of high-grade gold mineralization at the Lookout Mountain project.

Each of these is discussed below, not necessarily in the order listed above.

Elder Creek Project

Timberline's Elder Creek copper-gold, and adjacent Paiute properties lie within the prolific Battle Mountain District of Nevada, approximately 11 miles (18 km) north of Nevada Gold Mines' Phoenix mining complex. Timberline has the right to acquire a 65% interest in the 16 square mile (41 km²) Elder Creek property through an earn-in agreement with McEwen Mining Inc. The Company is actively seeking a strategic partner for Elder Creek.

Data compiled from historic exploration on the property includes only limited shallow (most less than 500 ft (152 m)) drilling targeted primarily at gold. Geologic and geophysical characteristics, and rock geochemical sampling results at Elder Creek (see press release dated June 18, 2018 at <http://timberlineresources.co/press-releases/>) are common to major porphyry copper deposits.

Drilling completed in the quarter ended December 31, 2019, together with drilling completed in 2018, at Elder Creek documents a large mineralized copper-gold-silver porphyry system with multiple intrusive and mineralizing events. We have identified six priority target areas (Figure 1) over only a small portion of the porphyry system. Three of these targets have been tested by initial drill holes, most of which bottomed in long intervals of porphyry-related mineralization (Table 1).

Table 1. Summary of Elder Creek Drilling Assay Results by Target Area

Drill Hole	From (feet)	To (feet)	Total (feet)	From (meters)	To (meters)	Total (meters)	Cu (%)	Mo (ppm)	Au (g/t)	Ag (g/t)
<i>Morning Glory Hill Target</i>										
RCEC19-05	75	250	175	22.9	76.2	53.4	0.03	181	0.017	4
	250	555 TD	305	76.2	169.2 TD	93.0	0.25	122	0.083	9
including:	255	345	90	77.7	105.2	27.4	0.34	141	0.138	14
	255	265	10	77.7	80.8	3.0	0.74	69	0.280	38
RCEC 19-01	270	1960 TD	1690	82.3	597.6 TD	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
<i>Valmy Pit Target</i>										
RCEC 18-01	0	500 TD	500	0	152.4 TD	152.4	0.21	145	-	3
including:	160	270	110	48.8	82.3	33.5	0.44	181	-	5
including:	195	210	15	59.5	64.0	4.6	0.55	132	0.33	13
RCEC 19-02	85	270	185	25.9	82.3	56.4	0.22	-	-	3
	415	565 TD	150	126.5	172.2 TD	45.7	0.16	-	-	3
RCEC 19-03	0	405 TD	405	0	123.5 TD	123.5	0.16	-	-	2
including:	0	100	100	0	30.5	30.5	0.20	-	-	5
RCEC 19-04	0	30	30	0	9.2	9.2	0.19	-	-	6
	150	165	15	45.7	50.3	4.6	0.34	-	-	9

*True thickness of drill intercepts is unknown; **TD: drill hole total depth

Morning Glory Hill Target

On January 8, 2020, we reported that we drilled a long interval of copper-silver porphyry-style mineralization in the initial test of the Morning Glory Hill target at the Elder Creek project (Figure 1). Reverse circulation (“RC”) hole RCEC 19-05 intercepted 305 feet (ft) (93 meters (m)) grading 0.25% Cu, 0.08 g/t Au, and 9 g/t Ag and bottomed in mineralization at 555 ft (169 m).

RCEC19-05 tested an area of outcropping mineralized porphyry breccia coincident with a large IP chargeability (Figure 1) and resistivity geophysical anomaly. The mineralized interval is intensely altered with silica (quartz), sericite, and chlorite and contains from 2% to >10% disseminated sulfides including pyrite, chalcopyrite, and minor molybdenite. Silver has a strong positive correlation with copper values.

Valmy Pit Target

Drilling of three RC holes at the Valmy Pit target area further delineated a broad area of near-surface copper oxide mineralization drilled previously by the Company in 2018. RCEC19-02, 03 & 04, totaling 1,470 ft (448 m) (see Table 1), were drilled to offset and expand the mineralization identified in RCEC 18-01 (Figure 1) which averaged 0.21% Cu over its entire 500 ft (152 m) length, including 110 ft (34 m) grading 0.44% Cu. RCEC19-02 contained intercepts of 185 ft (56 m) grading 0.22% Cu and 150 ft (46 m) grading 0.16% Cu, while RCEC 19-03 averaged 0.16% Cu across its entire 405 ft (124 m) length. Each drill hole bottomed in mineralization with drilling terminated because of intense silica alteration and groundwater. These holes extended the footprint of the shallow copper oxide mineralization at the Valmy Pit target area to approximately 575 ft (175 m) by 400 ft (122 m). The mineralization remains open in all directions and to depth, where it transitions to sulfide mineralization.

Only a small portion of the Elder Creek porphyry system has been evaluated to date with three of six target areas drill tested and each containing substantial Cu ± Mo-Ag-Au mineralization. Future objectives include offsetting and deepening drill holes and testing new targets.

Paiute Project:

On January 16, 2020, we announced that our first two drill holes at the Paiute project in the Battle Mountain district of Nevada intercepted long intervals of disseminated gold mineralization in granodiorite porphyry and metamorphosed sandstone (Figure 2, Table 2). Both RC holes were terminated in hard, silicified and mineralized rock. Timberline currently owns approximately 80% of the Paiute project in a Joint Venture (“JV”) with Nevada Gold Mines.

Hole PCRC 19-01 intercepted 125 feet (ft) (38 meters (m)) grading 0.36 g/t Au with associated pyrrhotite-pyrite-arsenopyrite in silicified, metamorphosed arkosic sandstone (see Table 2). The hole bottomed in 160 ft (49 m) of silicified granodiorite porphyry. The previously identified 2 km-long gold “Lone Tree-type” structural zone (see Figure 2) remains largely untested below 500 feet depth of historic drilling and entirely untested over an interval of approximately 500 meters along the trend of the zone. The structural zone includes surface rock chip samples which previously returned multiple values greater than 1.0 gram per tonne (“g/t”) of gold including two samples over 10 g/t gold and one sample with 42.9 g/t gold and 527 g/t silver (see press release dated May 24, 2018 @ <http://timberlineresources.co/press-releases>).

PCRC 19-02 twinned and deepened historical hole ICBM-95-06, which intercepted gold mineralization within highly silica-altered, sulfide-poor (trace – 1% pyrite) granodiorite porphyry. The hole intercepted multiple zones of gold mineralization in granodiorite porphyry and metamorphosed arkosic sandstone, including 40 ft (12 m) of 0.61 g/t , 80 ft (24 m) of 0.51, 25 ft (8 m) of 1.12 g/t, and 25 ft (8 m) of 0.48 g/t over its 710 feet (216 m) length and bottomed in mineralization. The mineralization in PCRC 19-02 expands on multiple intercepts in nearby historic holes (see Table 3).

The Paiute project has the potential for bulk-mineable, open-pit gold mineralization based on the near surface thicknesses and gold grades drilled to date. During the quarter the Company also acquired historical IP/Resistivity, and magnetic geophysical survey data to guide future drilling of the largely untested structural zone and porphyry gold targets. Pending the availability of capital, we will expand our exploration plans accordingly.

Figure 1. Elder Creek Property Geology, IP Geophysics, Drilling, and Target Areas

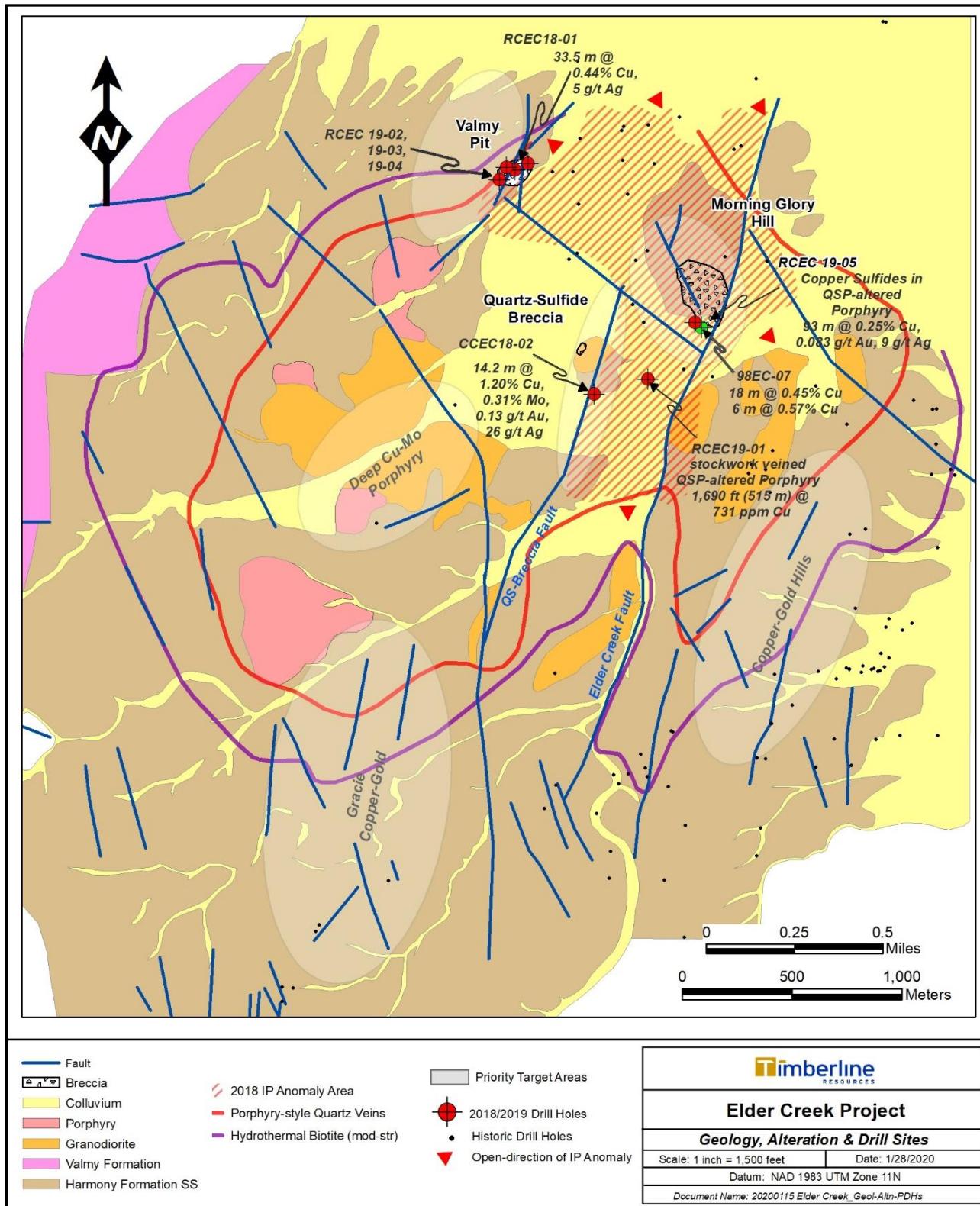


Figure 2. Paiute Project Geology and Primary Target Areas

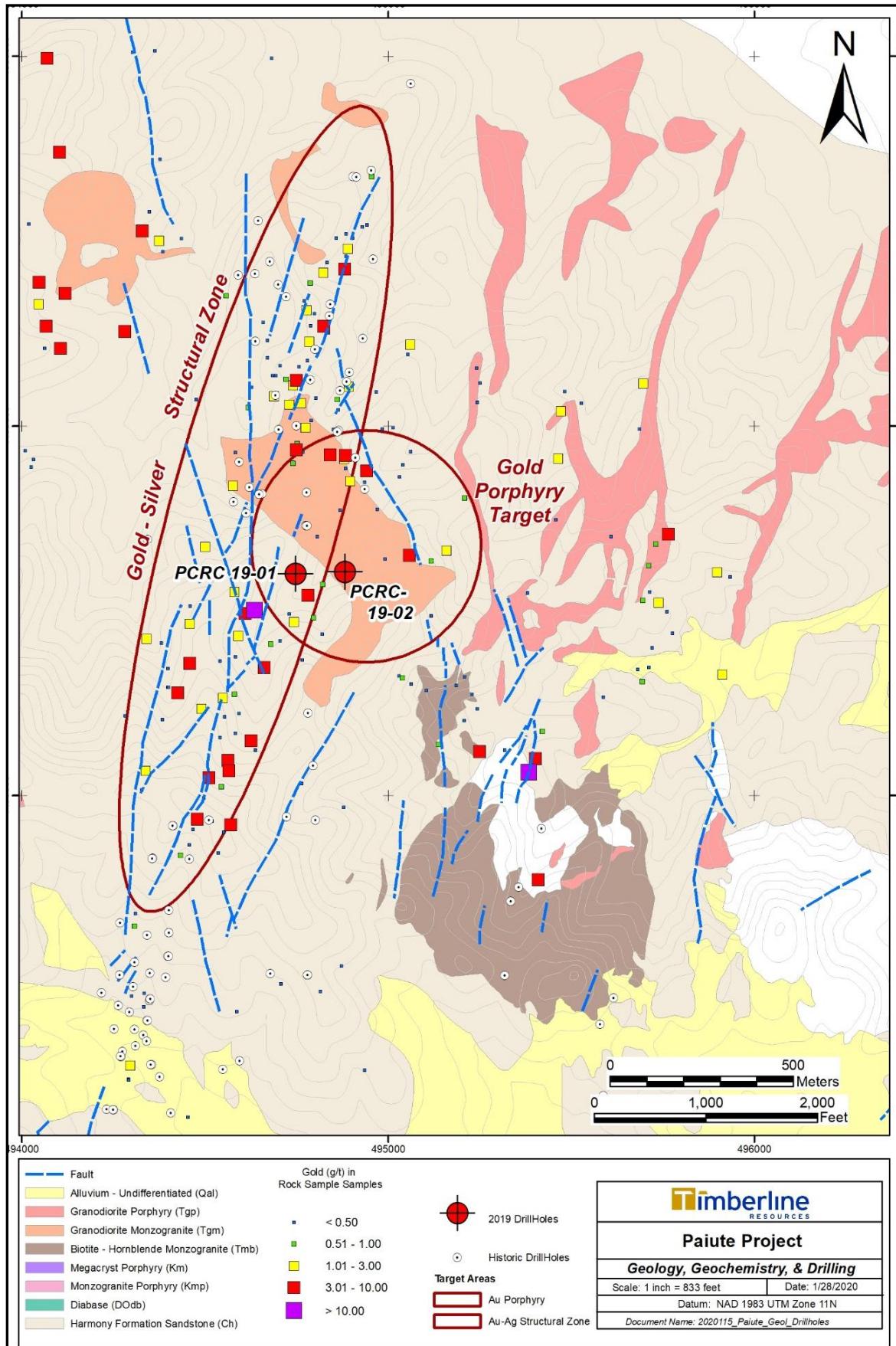


Table 2. 2019 Drill Hole Assay Results

Drill Hole	From (feet)	To (feet)	Total (feet)	From (meters)	To (meters)	Total (meters)	Au (g/t)	Ag (g/t)	As (ppm)	Ba (ppm)	S (%)
PCRC19-01	295	420	125	89.9	128.0	38.1	0.356	0.4	673	266	1.5
<i>including:</i>	340	420	80	103.6	128.0	24.4	0.442	0.5	968	185	1.9
PCRC19-02	0	710 (TD)	710	0.0	216.4	216.4	0.271	0.5	72	849	0.3
<i>including:</i>	0	40	40	0.0	12.2	12.2	0.606	0.9	292	648	0.0
	110	140	30	33.5	42.7	9.1	0.488	0.5	43	872	0.1
	150	230	80	45.7	70.1	24.4	0.514	0.4	27	1123	0.2
	190	215	25	57.9	65.5	7.6	1.123	0.6	12	1280	0.2
	280	390	110	85.3	118.9	33.5	0.359	0.3	39	720	0.2
	490	500	10	149.4	152.4	3.0	0.511	0.1	30	1070	0.2
	525	545	20	160.0	166.1	6.1	0.340	0.2	20	598	0.3
	610	640	30	185.9	195.1	9.1	0.400	1.0	33	1023	0.8
	685	710	25	208.8	216.4	7.6	0.478	0.8	38	680	0.6

*True thickness of drill intercepts is unknown. **TD: drill hole total depth

Table 3. Summary of Historic Porphyry Hosted Drilling Gold Assay Results

Drill Hole	From (feet)	To (feet)	Total (feet)	From (meters)	To (meters)	Total (meters)	Au (g/t)
ICBM 95-1	260	295	35	79.2	89.9	10.7	0.831
	320	350	30	97.5	106.7	9.1	0.552
	385	460	75	117.3	140.2	22.9	0.462
ICBM 96-3	45	65		13.7	19.8	6.1	0.431
	345	370	25	105.2	112.8	7.6	0.497
	405	415	10	123.4	126.5	3.0	1.000
	480	580	100	146.3	176.8	30.5	0.962
ICBM 96-3C	221	246	25	67.4	75.0	7.6	0.626
	455	465	10	138.7	141.7	3.0	1.276
	475	505	30	144.8	153.9	9.1	0.609
	996	1001	5	303.6	305.1	1.5	3.655
ICBM 96-4	340	370	30	103.6	112.8	9.1	0.683
ICBM 96-5	90	100	10	27.4	30.5	3.0	0.741
	320	350	30	97.5	106.7	9.1	0.377
	575	590	15	175.3	179.8	4.6	1.501
3899	10	180	170	3.0	54.9	51.8	0.695
3632	0	100	100	0.0	30.5	30.5	0.945
	350	400	50	106.7	121.9	15.2	0.55
4062	30	60	30	9.1	18.3	9.1	0.460
	220	260	40	67.1	79.2	12.2	0.644
4006	95	145	50	29.0	44.2	15.2	0.483
	280	300	20	85.3	91.4	6.1	0.948
3206	210	280	70	64.0	85.3	21.3	0.493

Lookout Mountain LLC:

The Lookout Mountain project lies within Timberline's 23 square-mile Eureka property which is strategically located within the greater Eureka Mining District (see a detailed description and maps at <http://timberlinerесources.co/projects/>) at the southern end of the Battle Mountain-Eureka Trend. Timberline has previously reported a gold resource estimate at Lookout Mountain, which was prepared by Mine Development Associates ("MDA") of Reno, Nevada. Lookout Mountain is a large "Carlin-type" gold-system with a defined gold resource (see Updated Technical Report on the Lookout Mountain Project, MDA, Effective March 1, 2013, filed on SEDAR April 12, 2013) and drill-indicated mineralization which extends over a north-south trend of approximately 3 miles (~ 5 km). The MDA resource estimates includes 508,000 gold oz (Measured & Indicated) and 141,000 oz (Inferred) as summarized below (Table 4) at the noted cut-off grades.

Table 4. Lookout Mountain Gold Resource⁽¹⁾⁽²⁾⁽³⁾

Resource Category	Tons	Tonnes	Gold (opt)	Gold (g/t)	Gold Ounces
Measured	3,043,000	2,761,000	0.035	1.200	106,000
Indicated	25,897,000	23,493,000	0.016	0.549	402,000
Measured & Indicated	28,940,000	26,254,000	0.018	0.617	508,000
Inferred	11,709,000	10,622,000	0.012	0.411	141,000

Notes:

- (1) 0.006 opt (0.21 g/t) cut-off applied to oxidized material to capture mineralization potentially available to open pit extraction and heap leach processing. 0.030 opt (1.03 g/t) cut-off applied to unoxidized material to capture mineralization potentially available to open pit extraction and lower heap leach recoveries or sulfide processing.
 - (2) Rounding may cause apparent discrepancies.
 - (3) The effective date of the Lookout Mountain updated gold resources is February 20, 2013.
- The full MDA Resource Estimate with various cut-off grades can be seen at:
http://timberlinerесources.co/wp-content/uploads/2015/07/LookoutMt_-43-101_2013.pdf.

High-grade gold mineralization near the historical open pit (Figure 3) includes 18 intercepts ranging from 0.136 ounces gold per ton ("opt") to 2.250 opt gold (see Table 5) (see press release dated July 10, 2018 at <http://timberlinerесources.co/press-releases>). The mineralization is associated with extensive zones of fault breccias, collapse-breccias, and with orpiment and realgar (arsenic sulfides) which are commonly found in many major Carlin-type gold deposits.

On July 11, 2019, we entered into the Definitive Agreement to form a joint venture with PM & Gold Mines, Inc. whereby the JV Partners formed a limited liability company to conduct operations on the Company's Lookout Mountain Project. PM&G can earn an initial 51% interest in the project, by expending \$6 million on exploration and development over a 2-year period.

During the six months ended March 31, 2020, we completed re-logging of all project drill core and we advanced our understanding of the project geologic model and high-grade gold mineralization in the historic pit area. Based on this model and previous drilling, proposed sites for follow-up core drilling have been selected based on windows in the existing drill spacing, geologic data gaps, and/or to twin historic reverse circulation or conventional rotary holes. Furthermore, an amendment to the existing Plan of Operations work plan was completed and approved by the Bureau of Land Management. The amendment permits 249 additional drill sites in the historic pit area, and for drill expansion of the resource area to the north and east of the pit (Figure 3).

Figure 3. Lookout Mountain Geology and Initial Drill Target Areas

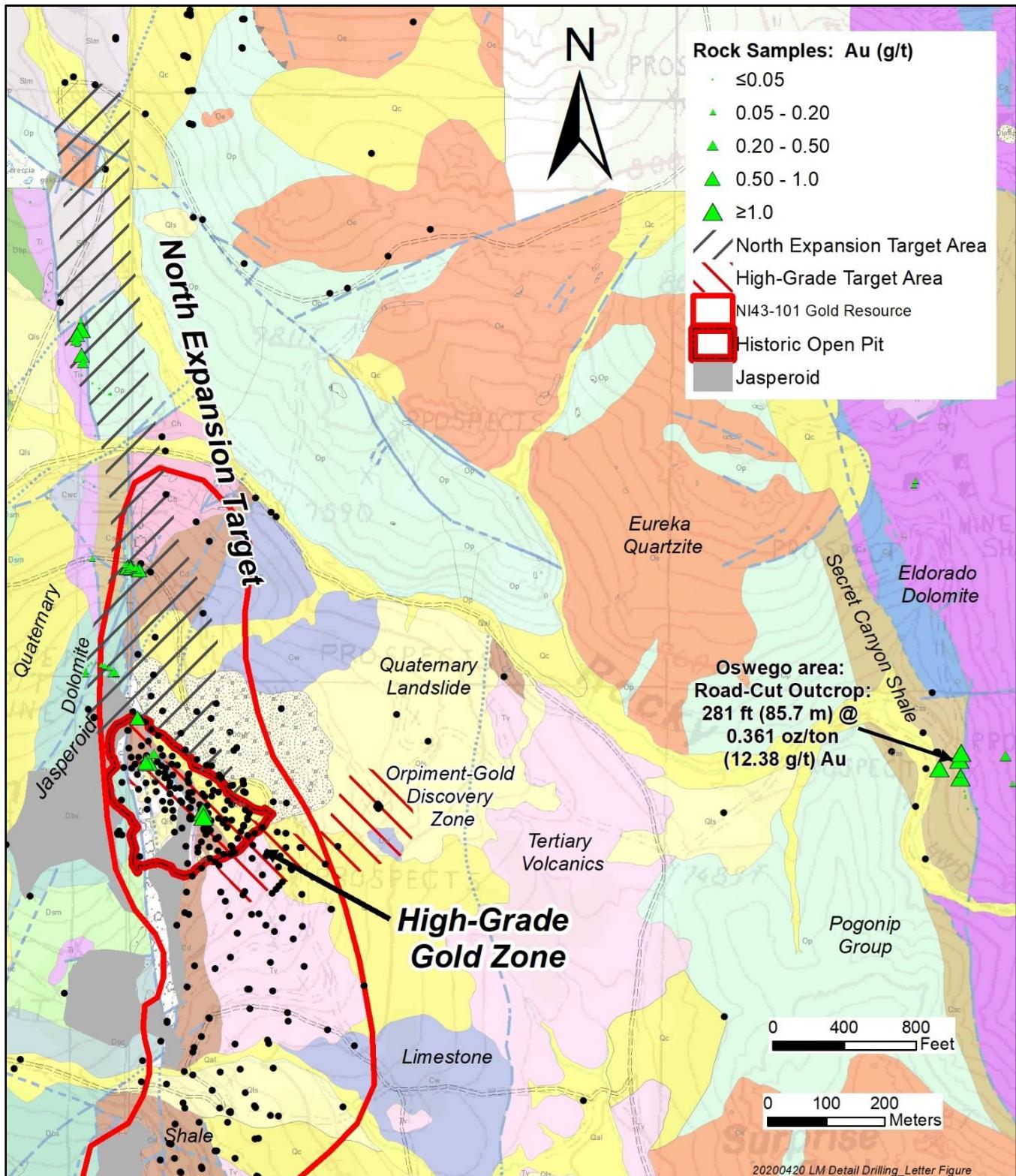


Table 5. Representative High-Grade Gold Drill Intercepts from the Lookout Mountain Deposit

Drill Hole	From (feet)	Length (feet) ⁽¹⁾	Gold (opt) ⁽²⁾	From (meters)	Length (meters) ⁽¹⁾	Gold (g/t) ⁽²⁾
BH05-01	270	65	0.344	82.3	19.8	11.79
<i>including</i>	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) opt: oz gold / ton; g/t: grams/tonne
(3) See press release dated July 10, 2018 at <http://timberlineresources.co/press-releases>) and Updated Technical Report on the Lookout Mountain Project, MDA, Effective March 1, 2013, Filed on SEDAR April 12, 2013

To further advance the Lookout Mountain Project, an initial drill program has been planned based on the geologic reviews completed to-date. This plan includes 32,500 ft (~10,000 m) of reverse circulation (RC) and 16,000 ft (~5,000 m) of core drilling in 2020. Initial core drilling will infill test the continuity of stratiform and structural (fault)-defined high-grade mineralized zones within the historic pit area (Figure 3) and to twin selected historic reverse circulation and conventional rotary holes for comparative evaluation of gold recovery. In addition, step-out RC drilling will test for shallow gold mineralization to the immediate north and northwest of the pit and test an un-drilled gap of approximately 1,500 ft (~450 m) between the pit-area and known mineralization further north at Rocky Canyon. Initial drilling will also test to expand the “Orpiment-gold Discovery Zone” of the high-grade mineralization located east of the pit which was discovered in drilling by Timberline in 2015 (see press release dated April 20, 2015 at <http://timberlineresources.co/press-releases>).

Geophysical exploration concurrent with initial drilling is planned to include IP/Resistivity survey eastward from Lookout Mountain towards the Oswego area where 2018 sampling documented high grade gold mineralization (286 ft (86.1 m) @ 0.361 oz/t (12.38 g/t). Follow-up step-out drilling is anticipated later in the year.

Results of Operations for the three and six months ended March 31, 2020 and 2019

Consolidated Results

(US\$)	Three Months Ended March 31,		Six Months Ended March 31,	
	2020	2019	2020	2019
Exploration expenses:				
Eureka	\$ 12,749	\$ 23,000	\$ 159,231	\$ 275,239
Other exploration properties	-	5,502	-	24,788
Total exploration expenditures	12,749	28,502	159,231	300,027
Non-cash expenses:				
Stock option expenses	-	-	161,100	5,000
Depreciation, amortization and accretion	2,133	2,032	4,165	3,967
Accretion of discount on senior note payable	15,767	19,744	31,787	39,815
Loss on extinguishment of debt	-	-	195,611	-
Total non-cash expenses	17,900	21,776	392,663	48,782
Professional fees expenses	50,614	69,740	119,465	157,532
Insurance expenses	33,436	25,411	52,178	48,047
Salaries and benefits expenses	67,324	47,467	120,514	71,661
Interest and other (income) expense	36,986	20,066	78,434	38,118
Other general and administrative expenses	96,017	4,962	157,160	103,410
Net loss	\$ 315,026	\$ 217,924	\$ 1,079,645	\$ 767,577

Our consolidated net loss for the three months ended March 31, 2020 was \$315,026, compared to a consolidated net loss of \$217,924 for the three months ended March 31, 2019. The year-over-year increase in net loss is due to increased consulting fees and franchise taxes paid, offset by reductions to exploration expenses, accretion of discount on senior note payable, and reduction of professional, offset by increases in salaries and benefits expenses, and other general and administrative expenses fees and interest expense. Professional fees were lower and salaries and benefits were higher as a result of allocation of work effort between internal and external resources with increases in employee benefits accrual for employees due to longevity. Other general and administrative expenditures were higher in 2020 primarily related to consulting fees aimed at advancing our mineral properties during the quarter ended March 31, 2020. Exploration expenditures during the three months ended March 31, 2020 decreased compared to the same period in 2019 due to a reduction in activities performed on Elder Creek die to delayed funding.

Our consolidated net loss for the six months ended March 31, 2020 was \$1,079,645, compared to a consolidated net loss of \$767,577 for the six months ended March 31, 2019. The year-over-year increase in net loss is due to increased stock option expense, and increases to consulting fees, salaries and benefits expenses, other general and administrative expenses, including franchise taxes paid, and interest expense. These expense levels were offset by reductions to exploration expenses, accretion of discount on senior note payable, reduction of professional fees. Exploration expenditures during the six months ended March 31, 2020 decreased compared to the same period in 2019 due to the tempered exploration activity generally delayed at Elder Creek due to delayed funding.

In addition to the operating causal factors enumerated above, we incurred a loss on an extinguishment of debt of \$195,611. On October 4, 2019, we entered into an agreement with a note holder to extend the due date of a \$300,000 senior unsecured note for a period of three years to mature on January 20, 2023 on the same terms as the original note. The 3,265,500 Series F Warrants issued with the note at its inception were cancelled and replaced with 4,000,000 Series K Warrants with expiration at February 1, 2023 and an exercise price of \$0.08. 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. The fair value of the Series K Warrants issued in connection with the extension of the senior unsecured note and the fair value of the Series F Warrants at the date of cancelation were estimated at \$227,600 and \$57,100, respectively, based upon fair values as calculated by a Black-Scholes option-pricing model.

The unamortized discount related to the Series F warrants was \$25,111. The net difference in the fair values of the warrants of \$170,500, together with the unamortized discount, were recorded as a loss on extinguishment of debt of \$195,611 in the quarter ended December 31, 2019. The modifications to the terms of this note are being accounted for as a substantial debt modification under ASC 470.

Subject to adequate funding in 2020, we expect to continue to incur exploration expenses for the advancement of Elder Creek and exploration at Eureka.

Financial Condition and Liquidity

At March 31, 2020, we had assets of \$15,479,826, consisting of cash in the amount of \$167,655; property, mineral rights and equipment of \$14,965,634, net of depreciation, reclamation bonds of \$292,684, and deposits and other assets in the amount of \$53,853.

On March 31, 2020, we had total liabilities of \$1,249,959 and total assets of \$15,479,826. This compares to total liabilities of \$1,123,229 and total assets of \$15,505,141 on September 30, 2019. As of March 31, 2020, our liabilities consist of \$172,784 for asset retirement obligations, \$509,151 of senior unsecured note payable, net of discount, \$150,239 of payment obligation, \$205,194 of an advance payable to a related party and \$208,591 of trade payables and accrued liabilities. Of these liabilities, \$773,175 are due within twelve months. The increase in liabilities compared to September 31, 2019 is largely due to the additional senior unsecured note payable together with the interest accrued thereon and an advance payable of \$205,194 from Lookout Mountain LLC, offset by reductions in the payment obligation, accounts payable and accrued liabilities. The decrease in total assets was due to the cash payment for the deposit on reclamations bonds by the Lookout Mountain LLC joint venture and the receipt of cash for accounts receivable from that joint venture, offset by the usage of cash to pay Company operating expenses.

On March 31, 2020, we had negative working capital of \$557,367 and stockholders' equity of \$14,233,867 compared to negative working capital of \$331,941 and stockholders' equity of \$14,381,912 for the year ended September 30, 2019. Working capital experienced an unfavorable change because of the senior unsecured note payable becoming due within the coming 12 months, accrued interest on debt and the deposit payable to Lookout Mountain LLC, offset partially by an increases in cash associated with collection of a related-party account receivable and private placements of our equity, an increase in prepaid expenses and decreases in accrued expenses and accounts payable.

During the six months ended March 31, 2020, we used cash from operating activities of \$505,517, compared to \$718,077 used for the six months ended March 31, 2019. The use of cash from operating activities results primarily from the net loss of \$1,079,645 for the six-month period ended March 31, 2020 compared to net loss of \$767,577 for the quarter ended March 31, 2019.

During the six-month period ended March 31, 2020, cash of \$70,709 was provided by investment activities, compared with cash of \$15,188 provided for the six-month period ended March 31, 2019. We received \$12,500 for refunds of reclamation bonds paid previously and \$58,209 for lease payments to us for company-owned mineral properties. During the six-month period ended March 31, 2019, we paid \$36,000 to purchase mineral properties, while receiving \$51,188 for lease payments to us for company-owned mineral properties.

During the six-month period ended March 31, 2020, cash of \$571,706 was provided by financing activities, compared to cash of \$739,727 provided during the six-month period ended March 31, 2019. For the six-month period ended March 31, 2020, cash of \$600,000 was provided through the sale of stock and warrants, net of offering costs, and \$28,294 used for payment of the payment obligation. This compares to cash of \$760,000 provided through the sale of stock and warrants, net of offering costs, and \$20,273 used for payment of the payment obligation for the six-month period ended March 31, 2019.

During the six-month period ended March 31, 2020, we closed the sale of an equity financings. We sold a total of 7,500,000 Units at a price of \$0.08 per unit for net proceeds of \$600,000.

Going Concern:

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.

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.

We recognize that we will not be able to execute our operating plans with our current cash balances. We expect to engage in financial transactions to increase our cash balance or decrease our cash obligations in the near term. 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. 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.

We plan, as funding allows, to follow up on our positive results for drilling and the Induced Polarization (IP)/Resistivity survey on our Elder Creek prospect, and further surface preparations and tests at our Paiute prospect. 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.

Financing Activities

None

Subsequent Events

None

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

Our critical accounting policies and estimates are as follows:

Asset Impairments

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

We review the carrying value of equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from 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 equipment is used, and the effects of obsolescence, demand, competition, and other economic factors.

Asset Retirement Obligations

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Conclusions of Management Regarding Effectiveness of Disclosure Controls and Procedures

At the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision and with the participation of 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, our management, including the Principal Executive Officer and the Principal Financial Officer, has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were not effective in ensuring that: (i) information required to be disclosed by the Company in reports that we file or submit to the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management determined that the Company’s disclosure controls and procedures were not effective because of a material weakness in our internal control over financial reporting due primarily to minimal staffing at the Company and the resulting weakness related to appropriate segregation of duties. While the Company does adhere to a system of 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. Subject to available capital, we anticipate improving the effectiveness of our disclosure controls and procedures on a long-term basis by increasing staffing levels and segregating certain duties.

Changes in Internal Control over Financial Reporting

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

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

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

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended September 30, 2019, which was filed with the SEC on January 10, 2020.

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

All sales of unregistered equity securities during the fiscal quarter covered by this Quarterly Report on Form 10-Q were previously reported on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES

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

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities with respect to mining operations and properties in the United States that are subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). During the quarter ended March 31, 2019, our U.S. exploration properties were not subject to regulation by the MSHA under the Mine Act.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS.

- 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 for May and June 2016 Offering incorporated by reference to the Company's Form 10-Q filed with the Securities and Exchange Commission on August 11, 2016](#)
- 4.3** [Form of Warrant Agreement for March and April 2017 Offering of Units, incorporated by reference to the Company's 10-Q filed with the Securities and Exchange Commission on May 15, 2017](#)
- 4.4** [Form of Warrant Agreement for November and December 2017 Offering, incorporated by reference to the Company's 8-K filed with the Securities and Exchange Commission on January 24, 2018](#)
- 4.4** [Form of Class G Warrant, incorporated by reference to the Company's 10-Q filed with the Securities and Exchange Commission on February 14, 2020](#)
- 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 Principal 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 Principal 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

* - Filed herewith

SIGNATURES

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

TIMBERLINE RESOURCES CORPORATION

By: /s/ Steven A. Osterberg

Steven A. Osterberg
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2020

By: /s/ Ted R. Sharp

Ted R. Sharp
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: May 15, 2020

Exhibit 31.1**CERTIFICATION**

I, Steven A. Osterberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Timberline Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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: May 15, 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 quarterly report on Form 10-Q of Timberline Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (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: May 15, 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 Quarterly Report of Timberline Resources Corporation, (the "Company") on Form 10-Q for the period ending March 31, 2020, 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

Steven A. Osterberg, Chief Executive Officer and President

DATE: May 15, 2020

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 Quarterly Report of Timberline Resources Corporation, (the "Company") on Form 10-Q for the period ending March 31, 2020, 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

Ted R. Sharp, Chief Financial Officer

DATE: May 15, 2020

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.