

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 December 31, 2017

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**

83814

(Address of Principal Executive Offices)

(Zip Code)

(208) 664-4859

(Registrant's Telephone Number, including Area Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 January 25, 2018: 36,027,819

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PART I — FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES

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TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2017 (unaudited)	September 30, 2017 (audited)
ASSETS		
CURRENT ASSETS:		
Cash	\$ 240,255	\$ 67,154
Prepaid expenses and other current assets	252,162	20,716
Accounts receivable	-	2,633
TOTAL CURRENT ASSETS	<u>492,417</u>	<u>90,503</u>
PROPERTY, MINERAL RIGHTS AND EQUIPMENT, net	<u>17,151,019</u>	<u>17,125,519</u>
OTHER ASSETS:		
Restricted cash	285,128	285,128
Deposits and other assets	9,750	9,750
TOTAL OTHER ASSETS	<u>294,878</u>	<u>294,878</u>
TOTAL ASSETS	<u>\$ 17,938,314</u>	<u>\$ 17,510,900</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 99,680	\$ 109,680
Accrued expenses	14,201	9,923
Accrued payroll, benefits and taxes	39,461	85,730
Payment obligation	219,957	250,000
TOTAL CURRENT LIABILITIES	<u>373,299</u>	<u>455,333</u>
LONG-TERM LIABILITIES:		
Asset retirement obligation	<u>154,783</u>	<u>152,940</u>
TOTAL LONG-TERM LIABILITIES	<u>154,783</u>	<u>152,940</u>
COMMITMENTS AND CONTINGENCIES (Notes 5 and 10)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value; 10,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.001 par value; 200,000,000 shares authorized, 36,027,819 and 33,146,952 shares issued and outstanding, respectively	36,028	33,147
Additional paid-in capital	71,242,030	70,408,144
Accumulated deficit	<u>(53,867,826)</u>	<u>(53,538,664)</u>
TOTAL STOCKHOLDERS' EQUITY	<u>17,410,232</u>	<u>16,902,627</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 17,938,314</u>	<u>\$ 17,510,900</u>

See accompanying notes to consolidated financial statements.

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

	Three months ended December 31,	
	2017	2016
OPERATING EXPENSES:		
Mineral exploration	\$ 26,174	\$ 45,728
Salaries and benefits	83,254	76,534
Professional fees	72,546	91,815
Insurance expense	23,179	20,127
Gain on disposal of equipment	-	(2,500)
Other general and administrative	132,504	73,086
TOTAL OPERATING EXPENSES	<u>337,657</u>	<u>304,790</u>
LOSS FROM OPERATIONS	<u>(337,657)</u>	<u>(304,790)</u>
OTHER INCOME (EXPENSE):		
Foreign exchange gain (loss)	33	(921)
Interest expense	(6,171)	-
Miscellaneous other income	14,633	3
TOTAL OTHER INCOME (EXPENSE)	<u>8,495</u>	<u>(918)</u>
LOSS BEFORE INCOME TAXES	<u>(329,162)</u>	<u>(305,708)</u>
INCOME TAX PROVISION (BENEFIT)	<u>-</u>	<u>21,000</u>
NET LOSS	<u>(329,162)</u>	<u>(326,708)</u>
OTHER COMPREHENSIVE INCOME (LOSS):		
Unrealized gain (loss) on available-for-sale equity securities, net of tax of \$21,000	-	(39,000)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	<u>-</u>	<u>(39,000)</u>
COMPREHENSIVE LOSS	<u>\$ (329,162)</u>	<u>\$ (365,708)</u>
NET LOSS PER SHARE AVAILABLE TO COMMON STOCKHOLDERS, BASIC AND DILUTED	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING, BASIC AND DILUTED	<u>34,580,622</u>	<u>24,106,952</u>

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (329,162)	\$ (326,708)
Adjustments to reconcile net loss to net cash used by operating activities:		
Deferred income tax provision	-	21,000
Gain on disposal of equipment	-	(2,500)
Stock-based compensation	15,000	-
Accretion of asset retirement obligation	1,843	1,755
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(231,446)	(12,796)
Accounts receivable	2,633	(2,633)
Accounts payable	(10,000)	(4,462)
Accrued expenses	4,278	(34,000)
Accrued payroll, benefits and taxes	(46,269)	24,558
Net cash used by operating activities	<u>(593,123)</u>	<u>(335,786)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, mineral rights and equipment	(25,500)	(33,000)
Proceeds from disposal of equipment	-	2,500
Refund of reclamation and road use bonds	-	375,125
Net cash provided (used) by investing activities	<u>(25,500)</u>	<u>344,625</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of units, net	821,767	-
Payment obligation	(30,043)	-
Net cash provided by financing activities	<u>791,724</u>	<u>-</u>
Net increase in cash and cash equivalents	173,101	8,839
CASH AT BEGINNING OF PERIOD	67,154	82,275
CASH AT END OF PERIOD	<u>\$ 240,255</u>	<u>\$ 91,114</u>

See accompanying notes to consolidated financial statements.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 (Unaudited)

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- a. *Basis of Presentation and Going Concern* – The accompanying unaudited consolidated financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, as well as the instructions to Form 10-Q. Accordingly, the financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of our management, all adjustments (consisting of only normal recurring accruals) considered necessary for a fair presentation of the interim financial statements have been included. Operating results for the three-month period ended December 31, 2017 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2018. All amounts presented are in U.S. dollars. For further information, refer to the financial statements and footnotes thereto in our Annual Report on Form 10-K for the fiscal year ended September 30, 2017.

The consolidated financial statements for the three-month period ended December 31, 2017 were prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. The Company’s ability to continue as a going concern is dependent upon its ability to receive cash flow from its operations or to successfully obtain additional financing. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

- b. *Net Income (Loss) per Share* – Basic earnings per share (“EPS”) is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants, and other convertible securities.

The dilutive effect of convertible and outstanding securities, in periods of future income as of December 31, 2017 and 2016, would be as follows:

	<u>2017</u>	<u>2016</u>
Stock options	1,988,334	2,055,419
Warrants	20,840,873	10,000,006
Total possible dilution	<u>22,829,207</u>	<u>12,055,425</u>

At December 31, 2017 and 2016, the effect of the Company’s outstanding options and common stock equivalents would have been anti-dilutive.

- c. *Asset retirement obligation* – We account for asset retirement obligations by following the uniform methodology for accounting for estimated reclamation and abandonment costs as prescribed by authoritative accounting guidance. This guidance provides that the fair value of a liability for an asset retirement obligation (“ARO”) will be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The ARO is capitalized as part of the carrying value of the assets to which it is associated and depreciated over the useful life of the asset. Adjustments are made to the liability for changes resulting from passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation. We have an ARO associated with our exploration program at the Lookout Mountain exploration project.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 (Unaudited)

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

- d. *Available-for-sale equity securities* – Available-for-sale equity securities are recorded at fair value. Unrealized gains and losses relating to equity securities classified as available-for-sale are recorded as a component of accumulated other comprehensive income (loss) in stockholders’ equity unless an other-than-temporary impairment in value has occurred, in which case such accumulated loss would be charged to current period net income (loss). Unrealized gain and losses originally included in accumulated other comprehensive income are reclassified to the current period net income (loss) when the sale or determination of other-than-temporary-impairment of securities occurs. Realized gains and losses on the sale of securities are recognized on a specific identification basis.
- e. *Reclassifications* - Certain reclassifications have been made to prior periods’ balances to conform with the current period’s presentation. These reclassifications have no effect on previously reported results from operations or net equity as previously disclosed.

NOTE 3 – FAIR VALUE MEASUREMENTS:

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

	<u>December 31,</u> <u>2017</u>	<u>September 30,</u> <u>2017</u>	<u>Input</u> <u>Hierarchy</u> <u>Level</u>
Assets:			
Cash	\$ 240,255	\$ 67,154	Level 1
Restricted cash	285,128	285,128	Level 1

NOTE 4 – RESTRICTED CASH:

Cash that is restricted as to withdrawal or use under the terms of certain contractual arrangements, generally with regulatory agencies, is recorded in *Other Assets* as *Restricted cash* on our balance sheet.

NOTE 5 – PROPERTY OPTION AGREEMENT:

On March 12, 2015 (the “Effective Date”), we entered into a property option agreement (“Agreement”) with Gunpoint Exploration Ltd. (“Gunpoint”), which closed on March 31, 2015 and was amended on October 19, 2016 (“Amended Agreement”). Pursuant to the Agreement, Gunpoint granted us an exclusive and irrevocable option (“Option”) to purchase a 100% interest in Gunpoint’s Talapoosa project (the “Project”) in western Nevada. We acquired the right to exercise the Option at any time beginning on March 31, 2015 and ending within thirty (30) months of March 12, 2015, unless sooner terminated (“Option Period”). Pursuant to the Amended Agreement, we have the right to exercise the Option through March 31, 2019 (“Amended Option Period”), subject to certain interim payments and cumulative project expenditures.

As consideration for the Option, we issued two million (2,000,000) shares of common stock and paid \$300,000 in cash. The common stock was valued at fair value on the Effective Date and combined with the cash payments of \$300,000 for total consideration of \$1,500,000. The common stock was issued on March 31, 2015 into escrow with periodic releases to Gunpoint. The shares are irrevocable and were released to Gunpoint as follows: 25% on September 12, 2015; 25% on March 12, 2016; 25% on September 12, 2016; and 25% on March 12, 2017. All of the shares have been released from escrow. Gunpoint will retain the total of 2,000,000 shares, even if we do not exercise the Option.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 (Unaudited)

NOTE 5 – PROPERTY OPTION AGREEMENT (continued):

Pursuant to the Amended Agreement, during the Amended Option Period, we are required to make the following expenditures and stock issuances in order to retain the Option:

- Payment of \$1 million and issuance of one million common shares of the Company by March 31, 2017 (completed – the shares were valued at \$480,000, the quoted value of the shares at issuance);
- Payment of \$2 million and issuance of one million common shares of the Company by March 31, 2018;
- Cumulative project expenditures of a minimum of \$7.5 million by December 31, 2018;
- Final payment of \$8 million and issuance of 1.5 million common shares of the Company by March 31, 2019.

Upon the date that Gunpoint receives all of the required payments and stock issuances (the “Closing Date”), we will have earned a 100% interest in the Project.

For a period of five years following the Closing Date (“Contingent Payment Period”), should the daily price of gold (as determined by the London PM Fix) average greater than or equal to \$1,600 per ounce over any 90-day period (“Trigger Event”), we will pay Gunpoint an additional payment of \$10 million (the “Contingent Payment”), of which a minimum of \$5 million will be payable within six months of the Trigger Event and the remaining \$5 million payable within twelve months of the Trigger Event. The Contingent Payment is payable with 50% in cash and 50% in common shares of the Company, at our sole discretion.

Following our exercise of the Option, effective as of the Closing Date, Gunpoint reserves a one-percent (1%) net smelter returns royalty in all minerals mined and removed from the Project (the “Royalty”). The Company’s option granted in the Agreement to purchase the Royalty from Gunpoint at any time for a cash payment of \$3 million was eliminated in the Amended Agreement.

NOTE 6 – ACCRUED EXPENSES:

As of December 31, 2017 and September 30, 2017, we had accrued \$14,201 and \$9,923 in expenses, respectively.

The components of the accrued expenses are:

<u>Description</u>	<u>December 31,</u> <u>2017</u>	<u>September 30,</u> <u>2017</u>
Interest expense	\$ 1,076	\$ -
Other expenses	13,125	9,923
Total accrued expenses	<u>\$ 14,201</u>	<u>\$ 9,923</u>

NOTE 7 – PAYMENT OBLIGATION:

On September 12, 2017, we 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 “Debt”) related to a potential corporate transaction in 2015 that was not completed.

Pursuant to the Payment Agreement, we agreed to pay the Debt to the Creditor, including interest, on or before September 12, 2020. Interest accrues on the unpaid principal amount of the Debt at a rate of prime, as such rate may change from time to time, plus 3% per annum. We agreed to pay the Creditor 5% of the gross proceeds of any funds raised, whether through equity sales, debt, or sales of assets. If the gross proceeds of any equity financing are at least \$1 million, then we agreed to also commence monthly installment payments of \$10,000 until the Debt is paid.

During the three months ended December 31, 2017, we paid \$34,363 to the Creditor from proceeds of a private placement, with \$30,043 being applied to principal of the Debt and \$4,320 being applied to interest.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 (Unaudited)

NOTE 8 – COMMON STOCK, WARRANTS AND PREFERRED STOCK:

Private Placement

On October 12, 2017, we initiated a \$1,250,000 private placement offering of Units of the Company at a price of \$0.30 per Unit, with an over-allotment option to increase the offering by up to 20%, solely to persons who qualify as accredited investors (the "Offering").

Each Unit in the Offering consisted of one share of common stock of the Company and one common share purchase warrant (each a "Warrant"), with each Warrant exercisable to acquire an additional share of common stock of the Company at a price of \$0.45 per share until the warrant expiration date of October 31, 2022.

During the three months ended December 31, 2017, we closed the sale of two tranches of the Offering. In the aggregate, we sold a total of 2,880,867 Units at a price of \$0.30 per unit for gross proceeds of \$864,260.

Warrants

During the three months ended December 31, 2017, 2,880,867 warrants were issued pursuant to the Offering. No warrants expired during the three months ended December 31, 2017. At December 31, 2017, there were 9,960,006 warrants outstanding with an exercise price of \$0.25 per share that expire on May 31, 2019, 8,000,000 warrants outstanding with an exercise price of \$0.40 per share that expire on January 31, 2020, and 2,880,867 warrants outstanding with an exercise price of \$0.45. In aggregate, as of December 31, 2017, there were 20,840,873 warrants outstanding at a weighted average exercise price of \$0.335.

Preferred Stock

We are authorized to issue up to 10,000,000 shares of preferred stock, \$0.01 par value. Our board of directors is authorized to issue the preferred stock from time to time in series, and is further authorized to establish such series, to fix and determine the variations in the relative rights and preferences as between series, to fix voting rights, if any, for each series, and to allow for the conversion of preferred stock into common stock. There is no preferred stock issued as of December 31, 2017.

NOTE 9 – STOCK-BASED AWARDS:

During the three months ended December 31, 2017, no options were granted and 62,500 options vested. In March 2017, 250,000 stock options with an exercise price of \$0.33 and a five-year term were granted to a consultant company. The fair value of all of the options granted was \$60,000 (\$0.24 per option). The options vested quarterly over a one-year period, including 25% of which (62,500 options) vested on December 15, 2017. The fair value of the 62,500 options that vested during the three months ended December 31, 2017 was \$15,000 and was classified as other general and administrative expense. The value of all of the 250,000 options has now been recognized evenly over the past four quarters as the options vested. The value of the options was estimated on the date of grant with a Black-Scholes option-pricing model using the assumptions noted in the following table:

Expected volatility	128.2%
Stock price on date of grant	\$0.33
Expected dividends	-
Expected term (in years)	3
Risk-free rate	1.68%
Expected forfeiture rate	0%

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 (Unaudited)

NOTE 9 – STOCK-BASED AWARDS (continued):

The following is a summary of our options issued under the Amended 2005 Equity Incentive Plan and the 2015 Stock and Incentive Plan:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at September 30, 2017	2,233,334	\$ 0.41
Expired	<u>(245,000)</u>	<u>(0.41)</u>
Outstanding and exercisable at December 31, 2017	<u>1,988,334</u>	<u>\$ 0.41</u>
 Average remaining contractual term of options outstanding and exercisable at December 31, 2017 (years)		 <u>3.19</u>

The aggregate of options exercisable as of December 31, 2017 had an intrinsic value of nil, based on the closing price of \$0.23 per share of our common stock on December 31, 2017.

NOTE 10 – COMMITMENTS AND CONTINGENCIES:

Mineral Exploration

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

Pursuant to the Amended Option Agreement at Talapoosa (see Note 5), we had an obligation to make a payment of \$1 million by March 31, 2017, which payment was made. There are also future payment and property expenditure obligations of \$17.5 million, including \$2 million due by March 31, 2018 and \$8 million due by March 31, 2019.

We pay federal and county claim maintenance fees on unpatented claims that are included in our mineral exploration properties. Should we continue to explore all of our mineral properties we expect annual fees to total approximately \$285,000 per year in the future.

While we recognize that we will not be able to meet these obligations with our current cash balances, we do expect to make these required payments with proceeds from expected capital raises. We expect to obtain additional capital through refunds of excess restricted cash held for exploration bonds and financing transactions such as equity investments, asset sales, joint ventures, debt facilities, or other types of strategic arrangements.

TIMBERLINE RESOURCES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2017 (Unaudited)

Real Estate Lease Commitments

As of December 31, 2017, the Company has no real estate lease commitments. The Company's office in Coeur d'Alene, Idaho and its facilities in Sparks, Nevada and Eureka, Nevada are rented on a month-to-month basis.

Total office lease and rental expense from continuing operations is included in the following line items in the consolidated statements of operations and comprehensive income (loss):

	Three months ended	
	December 31,	
	2017	2016
Mineral exploration expenses	\$ 12,900	\$ 12,900
Other general and administrative expenses	10,500	10,500
Total	<u>\$ 23,400</u>	<u>\$ 23,400</u>

Employment Agreements

The Company has an employment agreement with an executive employee that requires certain termination benefits and payments in defined circumstances.

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

The following discussion and analysis should be read in conjunction with our unaudited condensed interim consolidated financial statements as at and for the three months ended December 31, 2017 and the related notes thereto, which have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). This discussion and analysis contains forward-looking statements and forward-looking information that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements and information as a result of many factors, including, but not limited to, those set forth elsewhere in this Quarterly Report on Form 10-Q. See section heading "Note Regarding Forward-Looking Statements" below.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q and the exhibits attached hereto contain "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the United States Exchange Act of 1934, as amended, and "forward-looking information" within the meaning of applicable Canadian securities legislation, collectively "forward-looking statements." Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and development of our properties, plans related to our business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. These statements include, but are not limited to, comments regarding:

- the establishment and estimates of mineralization and reserves;
- the grade of mineralization and reserves;
- anticipated expenditures and costs in our operations;
- planned exploration activities and the anticipated timing and outcomes of such exploration activities;
- planned production of technical reports, economic assessments, and feasibility studies on our properties;
- plans and anticipated timing for obtaining permits and licenses for our properties;
- expected future financing, strategic and other transactions and the anticipated outcomes;
- plans and anticipated timing regarding production dates;
- anticipated gold and silver prices;
- anticipated liquidity to meet expected operating costs and capital requirements;
- our ability to obtain financing to fund our estimated expenditure and capital requirements; and
- factors expected to impact our results of operations

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

- risks related to our limited operating history;
- risks related to our ability to continue as a going concern;
- risks related to our history of losses and our expectation of continued losses;
- risks related to our properties being in the exploration or, if warranted, development stage;
- risks related to our bringing our projects into production;
- risks related to our mineral operations being subject to government and environmental regulations;
- risks related to future legislation and administrative changes to mining laws;
- risks related to future legislation regarding climate change
- risks related to our ability to obtain additional capital for exploration or to develop our reserves, if any;
- risks related to land reclamation requirements and costs;
- risks related to mineral exploration and development activities being inherently hazardous;
- risks related to our insurance coverage for operating risks;
- risks related to cost increases for our exploration and development projects;
- risks related to a shortage of skilled personnel, equipment, & supplies adversely affecting our ability to operate;
- risks related to mineral resource and economic estimates;
- risks related to the fluctuation of prices for precious and base metals, such as gold, silver and copper;
- risks related to the competitive industry of mineral exploration;

- risks related to our title and rights in our mineral properties;
- risks related to integration issues with acquisitions;
- risks related to our common stock trading on the Over-the-Counter markets
- risks related to joint ventures and partnerships;
- risks related to potential conflicts of interest with our management;
- risks related to our dependence on key management;
- risks related to our Talapoosa Project, Lookout Mountain and other acquired growth projects;
- risks related to our business model;
- risks related to our acquisition of Wolfpack Gold (Nevada) Corp.;
- risks related to our acquisition and amendment of the Talapoosa option;
- risks related to evolving corporate governance standards for public companies;
- risks related to our Canadian regulatory requirements; and
- risks related to our shares of common stock or other securities.

This list is not exhaustive of the factors that may affect our forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the sections titled “Risk Factors”, “Description of Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended September 30, 2017, filed with the Securities and Exchange Commission (the “SEC”) on December 20, 2017. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as otherwise required by law.

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

Corporate Overview

Our business is mineral exploration, with a focus on district-scale gold projects such as the advanced Talapoosa project and our Eureka project in Nevada.

In June 2010, we acquired Staccato Gold Resources Ltd. (“Staccato”), a Canadian-based resource company listed on the TSX Venture Exchange that was in the business of acquiring, exploring and developing mineral properties with a focus on gold exploration in the dominant gold producing trends in Nevada. As a result of this acquisition, we obtained Staccato’s Eureka Property, which included their flagship gold exploration project, the Lookout Mountain Project (“Lookout Mountain”) and the Windfall project, along with several other projects at various stages of exploration in the Battle Mountain/Eureka gold trend in Nevada, along with Staccato’s wholly owned U.S. subsidiary, BH Minerals USA, Inc.

In August 2014, we acquired Wolfpack Gold (Nevada) Corp. (“Wolfpack”), a U.S. company that was in the business of acquiring, exploring, and developing mineral properties with a focus on gold exploration in the dominant gold producing trends in Nevada. As a result of this acquisition, we obtained cash and several projects at various stages of exploration in the gold trends of Nevada.

In March 2015, we acquired an option from Gunpoint Exploration Ltd. (“Gunpoint”) to purchase a 100% interest in Gunpoint’s Talapoosa exploration project in western Nevada. The option agreement, as amended, grants us the right to exercise the purchase option at any time through March 31, 2019, subject to certain interim payments and cumulative project expenditures.

Recent Events

In October, 2017, we initiated a private placement offering of Units of the Company at a price of \$0.30 per Unit (the “Offering”). Each Unit in the Offering consisted of one share of common stock of the Company and one common share purchase warrant. During the three months ended December 31, 2017, we closed the sale of two tranches of the Offering. In the aggregate, we sold a total of 2,880,867 Units for gross proceeds of \$864,260.

On September 12, 2017, we 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 “Debt”) related to a potential corporate transaction in 2015 that was not completed. Pursuant to the Payment Agreement, we agreed to pay the Debt to the Creditor, including interest, on or before September 12, 2020. Interest accrues on the unpaid principal amount of the Debt at a rate of prime,

as such rate may change from time to time, plus 3% per annum. We agreed to pay the Creditor 5% of the gross proceeds of any funds raised, whether through equity sales, debt, or sales of assets. If the gross proceeds of any equity financing are at least \$1 million, then we agreed to also commence monthly installment payments of \$10,000 until the Debt is paid. During the three months ended December 31, 2017, we paid \$34,363 to the Creditor from proceeds of a private placement, with \$30,043 being applied to principal of the Debt and \$4,320 being applied to interest.

Mineral Exploration

Talapoosa, Nevada

Talapoosa is a 14,870 acre district-scale property comprising U.S. Bureau of Land Management (“BLM”) claims, fee lands, and water rights. Mineralized material at Talapoosa consists of 42.5 million tons of in-place bulk tonnage with an average grade of 0.03 ounces of gold per ton and 0.37 ounces of silver per ton at a gold cut-off of 0.013 ounces per ton of gold. The project was fully permitted by Miramar Mining Corporation with the BLM and the State of Nevada in 1996, but remained undeveloped due to low prevailing metals prices. The deposit is open on strike, and we believe potential exists to expand the quantity of mineralized material with additional exploration. The Talapoosa project includes the 4 mile-long Appaloosa zone located one mile to the north of, and parallel to, the Talapoosa mineralized area. The Appaloosa zone outcrops as epithermal-type sinter and breccia with vein fragments and is untested but for six historic, shallow drill holes.

In March, 2015, we completed a National Instrument 43-101 (“NI 43-101”) compliant Technical Report entitled “Technical Report and Resource Estimate on the Talapoosa Project, Nevada,” dated March 24, 2015 (the “Talapoosa Technical Report”) substantiating the mineralization for the Talapoosa project. Upon completion of the Talapoosa Technical Report, we initiated an NI 43-101 Preliminary Economic Assessment (“PEA”) on the property. Results of the PEA were released on April 27, 2015 and reported positive results on a potential open pit mine with heap-leach processing and Merrill Crowe recovery of gold and silver. To support the PEA, we completed due diligence reviews on the gold and silver mineralization; historic studies including metallurgy, geotechnical pit wall stability, hydrology, geochemistry, mining methods, facility siting for the previously proposed operation, and mine permitting. A metallurgical and geotechnical test program is currently in progress and is designed to assess the potential to improve heap permeability and enhance gold and silver leach efficiency for the processing of the mineralized material at the Talapoosa gold and silver deposit. The program has been designed to increase the already-substantial metallurgical test results incorporated into the Company’s PEA issued in May 2015.

In 2016, we completed surface rock sampling in the Appaloosa Zone which identified 0.16 ounces per ton (“opt”) (5.5 grams per tonne (“g/t”)) of gold and 1.24 opt (42.40 g/t) of silver over a 21.5 feet (6.55 meter (“m”)) channel sample across exposed hydrothermal breccia. Four grab samples of vein material from existing waste dumps and altered outcrops assayed from 0.005 - 0.51 opt (0.168 - 17.4 g/t) gold and 0.70 - 3.07 opt (2.3 - 105.3 g/t) silver. A nearby historic (1995) drill hole (CON-45) completed by Miramar intercepted 0.05 opt (1.66 g/t) gold over 80 feet (24.4 m) (“Technical Report of the Talapoosa Project, Lyon County, Nevada, U.S.A.” effective September 17, 2010).

We also completed a positive review of assay data from historic drill holes in areas northwest and southeast of, and contiguous to, the Talapoosa mineralized area as defined in the PEA. Results from historic drilling identify these areas as high priority drill targets for resource expansion as first noted in the NI 43-101 “Technical Report of the Talapoosa Project, Lyon County, Nevada, U.S.A.” effective September 17, 2010 and filed on SEDAR on October 12, 2010. Northwest of the PEA pit area, an expansion target is defined where eight of nine historic drill holes spaced over a strike extent of approximately 2,000 feet (600 m) intercepted gold mineralization. Historic drilling in this area intercepted mineralization in eight of the nine holes ranging from 75 feet (22.9 m) of 0.022 opt (0.75 g/t) gold and 0.439 opt (14.70 g/t) silver, to 205 feet (62.5 m) of 0.159 opt (5.43 g/t) gold and 0.80 opt (27.57 g/t) silver.

To the southeast of the Talapoosa resource area as defined in the PEA, eight of nine historic drill holes also intercepted mineralization also over approximately 2,000 feet (600 m) of strike extension. Historic drilling in this area intercepted mineralization in eight of the nine holes ranging from 21 feet (6.4 m) of 0.017 opt (0.57 g/t) gold and nil silver to 191 feet (58.2 m) of 0.032 opt (1.09 g/t) gold and 0.172 opt (5.88 g/t) silver.

In September, 2017, a metallurgical and geotechnical test program designed to assess the potential to improve heap permeability and enhance gold and silver leach efficiency for the processing of the mineralized material at the Talapoosa gold and silver deposit was completed. The program included re-sampling of four metallurgical composite samples originally tested by Gunpoint Exploration in 2013. The program advanced the already-substantial metallurgical test results incorporated into the Company’s PEA issued in May 2015.

Final results were released on 4 drill core composite test samples that were crushed using high pressure grinding roll (“HPGR”) technology to -1.7mm (-10 mesh), and separated by screening into a fine fraction (-75µm or -200 mesh) and a

coarse fraction (+75µm or +200 mesh). Follow-up saturated permeability was tested on each coarse fraction test sample under simulated leach pad height of up to 200 feet with results indicating that acceptable levels of permeability would be maintained. Gold and silver column leach testing of the coarse fraction indicates recoveries from 58% to 63% which are comparable to historic estimates for crushed mineralized material as utilized in the PEA. The fine fraction material was also separately tested for simulated heap leach recovery with sample results indicating recovery of approximately 77% for both gold and silver.

In addition, the program also studied and compared historic assay results between various analytical methods including Metallic Screen Fire Assays (MSFA). The MSFA data led us to conclude that the deposit gold grade assays may be up to approximately 20% higher than when completed by traditional historic 30 gram or 50 gram fire assay methods.

Subject to available capital, follow-up work is planned in 2018, including additional Reverse Circulation (“RC”) drilling to test the mineralization expansion targets and core drilling to provide sufficient mineralized material to advance the metallurgical studies to a sufficient level to support a final feasibility study. We also intend to initiate studies to update historic permits for the project to current standards. These activities are expected to be completed as soon as possible, subject to availability of sufficient financing, which we estimate to be \$3.5 million to complete the additional RC and core drilling and \$0.5 million to undertake the updating of historic permits to current standards. Pending availability of such financing, we expect to complete these activities and incorporate the results into a NI 43-101 compliant Preliminary Feasibility Study (“PFS”). Subject to additional capital availability, the PFS could be completed by the end of 2018 at an additional cost of approximately \$3 million.

There are no proven and probable reserves as defined under United States Securities and Exchange Commission’s Industry Guide 7 (“Guide 7”) at Talapoosa, and our activities there remain exploratory in nature.

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

Eureka Project, Nevada

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

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

Cautionary Note to U.S. Investors: The Lookout Mountain Technical Report uses the terms “mineral resource,” “measured mineral resource,” “indicated mineral resource” and “inferred mineral resource”. We advise investors that these terms are defined in and required to be disclosed by Canadian regulations (NI 43-101); however, these terms are not defined terms under Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. As a reporting issuer in Canada, we are required to prepare reports on our mineral properties in accordance with NI 43-101. We reference the Lookout Mountain Technical Report in this Quarterly Report on Form 10-Q for informational purposes only, and the Lookout Mountain Technical Report is not incorporated herein by reference. Investors are

cautioned not to assume that all or any part of a mineral deposit in the above categories will ever be converted into Guide 7 compliant reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.

The Lookout Mountain Technical Report describes gold mineralization which was modeled and estimated by MDA. MDA statistically evaluated available drill data utilizing geologic interpretations provided by Timberline to interpret gold mineral domains on cross sections spaced at 50- to 100-foot intervals across the extent of the Lookout Mountain mineralization. The cross sections were rectified with mineral-domain interpretations on level plans spaced at 10-foot intervals. The modeled mineralization was analyzed using geostatistics to aid in the establishment of estimation parameters, and interpolating grades into a three-dimensional block model.

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

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

In 2013, we continued geochemical waste rock environmental characterization, completed independent metallurgical leach testing, continued water quality monitoring and defined hydrologic work plans. We also continued the baseline environmental data collection and analysis at Lookout Mountain. In addition, we reduced costs by consolidating our Elko field office into our Eureka facility.

During most of 2014, the Company limited exploration related activities to low cost field surveys including soil and rock sampling, drill site reclamation, site archeological surveys, and geologic mapping. The mapping led to identification of new targets on each of the three structural zones of gold mineralization. In December 2014, drilling resumed at Eureka with an initial test of one new target completed before year-end. RC drill hole BHSE-171 identified a new zone of gold mineralization and intersected 25 feet of 0.144 ounces of gold per ton (“opt”) (7.62 meters (m) of 4.93 grams of gold per tonne (“g/t”)) within a longer 65-foot interval assaying 0.094 opt (19.82 m of 3.22 g/t) in the Lookout Mountain area. This hole was offset 140 feet from BHSE-152 (drilled in 2012) which first encountered the new zone in 2012 but was not completed due to drilling difficulties.

In follow-up to the successful results in RC drill hole BHSE-171, two diamond drill core holes were completed in January, 2015. BHSE-172 intersected 25.2 feet of 0.15 opt (7.7 m of 5.02 g/t) within an interval of 46.6 feet of 0.10 opt (14.2 m of 5.02 g/t). BHSE-173 intercepted 57.4 feet of 0.06 opt (17.5 m @ 1.92 g/t). The two core hole intercepts of the mineralized zone were offset approximately 140 feet from BHSE-171. The intercepts are well-correlated, as the gold occurs in mineralized collapse breccia within the pyritic Dunderberg Shale-Hamburg Dolomite contact zone. The intercepts are thought by Timberline geologists to be related to stratigraphic traps associated spatially with a higher-grade feeder system as recognized in many Carlin-type systems.

Two additional RC holes were completed as infill drilling within the existing resource area at Lookout Mountain. Results were highlighted by hole BHSE-174, which intercepted 75.0 feet of 0.02 opt (22.9 m of 0.57 g/t) which is very consistent with surrounding intercepts.

We also completed a six-hole RC drill program on the Windfall target within the Eureka project. The drilling successfully tested on-strike, offset, and down-dip extensions of gold mineralization that was previously mined at Windfall. Six drill holes completed over a strike length of approximately 3,000 feet intersected gold mineralization consistent with results from over 600 historic drill holes, highlighted by BHWF-40 which intersected 80 feet at 0.09 opt of gold (6.1 m @ 8.79 g/t). The data for Windfall will support potential development of a resource estimate of the gold mineralization at the project.

In order to prioritize our resources toward the development of Talapoosa, no material exploration expenditures were incurred at the Eureka Project in 2017. Unless financial resources become available, minimal expenditures are anticipated

for 2018, with work expected to focus on reclamation of drill sites.

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

Summary

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

As a company, we are considering financing and strategic corporate opportunities with our focus on providing for the advancement of our Talapoosa project. In May 2015, we finalized a positive PEA at Talapoosa, the results of which were announced on April 27, 2015. The metallurgical test programs were designed to increase the level of confidence in the metallurgical conclusions that were incorporated into the Talapoosa PEA.

We believe that with appropriate funding, the Talapoosa project can advance toward the preparation of a pre-feasibility study for an anticipated open-pit mining operation. Subject to available capital, exploration programs at the Lookout Mountain and Windfall areas within our Eureka project and at Seven Troughs may also continue. We believe that management and our board of directors have the knowledge and experience to evaluate financing and strategic opportunities and to provide for the advancement of our Talapoosa project toward a production decision.

Results of Operations for the three months ended December 31, 2017 and 2016

Consolidated Results

(US\$)	Three Months Ended	
	December 31,	
	2017	2016
Exploration expenses:		
Eureka	\$ 12,352	\$ 15,840
Talapoosa	13,822	26,137
Other exploration properties	-	3,751
Total exploration expenditures	26,174	45,728
Non-cash expenses:		
Non-employee stock option expense	15,000	-
Depreciation, amortization and accretion	1,843	1,755
Total non-cash expenses	16,843	1,755
Professional fees expenses	72,546	91,815
Insurance expenses	23,179	20,127
Salaries and benefits expenses	83,254	76,534
Interest and other (income) expenses	(8,495)	918
Other general and administrative expenses	115,661	68,831
Income tax provision (benefit)	-	21,000
Net loss	\$ (329,162)	\$ (326,708)

Our consolidated net loss for the three months ended December 31, 2017 was \$329,162, compared to a consolidated net loss of \$326,708 for the three months ended December 31, 2016. The year-over-year difference is minimal, with decreased exploration expenses, professional fees, and tax provisions in 2017 offset by increased non-cash stock option expense, and other general and administrative expenses. Other general and administrative expenditures were higher in 2017 primarily related to higher consulting fees aimed at increasing our market exposure and supporting our marketing efforts during the quarter ended December 31, 2017. We anticipate that the net loss will remain relatively flat, subject to changes in non-cash option expenses and general and administrative expenditures which are subject to transaction activity. Exploration expenditures during the three months ended December 31, 2017 decreased slightly compared to the same period in 2016 with some reclamation activities, but no significant exploration activity. We anticipate that exploration expenditures will increase year-over-year in the next quarter, subject to available capital, as we advance toward development at Talapoosa.

Subject to adequate funding in 2018, we expect to continue to incur exploration expenses for the advancement of Talapoosa and exploration at Eureka.

Financial Condition and Liquidity

At December 31, 2017, we had assets of \$17,938,314, consisting of cash in the amount of \$240,255; property, mineral rights and equipment, net of depreciation of \$17,151,019, restricted cash held for exploration bonds of \$285,128, and other assets in the amount of \$261,912.

During the three months ended December 31, 2017, we closed the sale of two tranches of an equity financing. In the aggregate, we sold a total of 2,880,867 Units at a price of \$0.30 per unit for gross proceeds of \$864,260 and net proceeds after the costs of the financing of \$821,767.

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. In recent years, commodity prices and mining equities have seen significant volatility which increases the risk to precious metal investors. Commodity price expectations, global economic uncertainties, and market factors, among other things, make it more difficult for us to obtain, or increase our cost of obtaining, capital and financing for our operations. Our access to additional capital may not be available on terms acceptable to us or at all. If we are unable to obtain financing through equity investments, we will seek multiple solutions including, but not limited to, return of excess restricted cash held for exploration bonds, asset sales, credit facilities or debenture issuances in order to continue as a going concern.

At December 31, 2017, we had working capital of \$119,118. As of the date of this report, we have approximately \$325,000 outstanding in current liabilities and a cash balance of approximately \$150,000. As of the date of this Quarterly Report on Form 10-Q, we do not anticipate that we will be able to continue as a going concern, meet our Talapoosa option and property expenditure obligations and execute our business plan for the next 12 months without receiving significant additional capital. We estimate that in order to meet our minimum obligations to maintain the Talapoosa option and continue as a going concern for the next twelve months, we need to raise at least \$3 million during the next year, and to conduct our planned exploration program for the Talapoosa project for the next twelve months would require an estimated additional \$5 million. Therefore, we expect to engage in financial transactions to increase our cash balance and/or decrease our cash obligations in the near term, which may include equity financings, joint venture agreements, sales of non-core assets, credit facilities, debenture issuances, or other strategic transactions.

We are working to increase and maintain sufficient working capital by prioritizing our expenditures toward added-value activities and advancing transactions aimed at improving our cash position. We have implemented significant cost-cutting measures, reduced staff, and curtailed discretionary exploration expenditures to preserve cash. We are also working to increase our working capital by exploring multiple financing alternatives to fund the execution of our business plan.

We recognize that we will not be able to execute our operating plans with our current cash balances. However, with our current cash balance, proceeds from sales of non-core assets, our expected ability to acquire additional capital and complete necessary financing transactions, and our ability to curtail discretionary exploration expenditures as needed, we believe that we will have sufficient working capital to meet our ongoing, non-discretionary operating expenses for the next 12 months and maintain our primary mineral properties. Additional capital may be obtained through financing transactions such as equity investments, asset sales, joint ventures, debt facilities, or other types of strategic arrangements.

We plan, as funding allows, to follow-up on our completed PEA of Talapoosa with a pre-feasibility study, which is expected to include trade-off studies, further metallurgical tests, and analysis of various other processing scenarios. 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. Based upon identified potential funding opportunities, we are revising our corporate and exploration budgets, with a focus on the advancement of the Talapoosa pre-feasibility study. We recognize that we will require additional funding in order to execute our operating plans and advance toward development of our properties.

Given current market conditions, we cannot provide assurance that necessary financing will be available to us on acceptable terms or at all. Over the past two years, we have significantly curtailed our corporate, exploration and other expenditures, however, we recognize that we will still require additional funding to provide sufficient capital to meet our Talapoosa option obligations, fund our planned, non-discretionary expenditures for the next 12 months, and maintain our primary mineral properties. If we cannot obtain sufficient additional financing, we may be unable to make required property payments on a timely basis and be forced to return some or all of our leased or optioned properties to the underlying owners.

Financing Activities

In October, 2017, we initiated a private placement offering of Units of the Company at a price of \$0.30 per Unit, with an over-allotment option to increase the offering by up to 20%, solely to persons who qualify as accredited investors (the "Offering"). Each Unit in the Offering consisted of one share of common stock of the Company and one common share purchase warrant (each a "Warrant"), with each Warrant exercisable to acquire an additional share of common stock of the Company at a price of \$0.45 per share until the warrant expiration date of October 31, 2022. The private placement offering was completed under Rule 506(b) of Regulation D promulgated by the SEC under the Securities Act of 1933, as amended, solely to persons who qualify as accredited investors. Subscribers who were resident in Canada were required to qualify as accredited investors under Canadian National Instrument 45-106 *Prospectus Exemptions*.

During the three months ended December 31, we closed the sale of two tranches of the Offering. In the aggregate, we sold a total of 2,880,867 Units at a price of \$0.30 per unit for gross proceeds of \$864,260.

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, 2017, which was filed with the SEC on December 20, 2017.

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 December 31, 2017, 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
- 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: January 25, 2018

By: /s/ Randal L. Hardy

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

Date: January 25, 2018

Exhibit 4.4

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

THIS WARRANT AND THE SECURITIES DELIVERABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THIS WARRANT MAY NOT BE EXERCISED UNLESS THE WARRANT AND THE UNDERLYING SECURITIES HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE
“Unless permitted under securities legislation, the holder of this security must not trade the security before [insert the date that is four months and a day after the distribution date].”

“Without prior written approval of TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [the date that is four months and a day after the Closing].”

TIMBERLINE RESOURCES CORPORATION

**SERIES C WARRANTS
TO PURCHASE SHARES
OF COMMON STOCK OF
TIMBERLINE RESOURCES CORPORATION**

CERTIFICATE NO.: C-◆

**Warrant to Purchase
◆ Shares of Common Stock
[DATE]
 (“Issue Date”)**

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

1. *Definitions.* (a) The following terms, as used herein, have the following meanings:

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

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

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

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

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

"**Exercise Price**" means US\$0.45 per share until the Expiration Date.

"**Expiration Date**" means 5:00 p.m. pacific time (Coeur d'Alene, Idaho) on October 31, 2022; provided that if such date shall in the City of Coeur d'Alene, Idaho be a holiday or a day on which banks are authorized to close, then 5:00 p.m. on the next following day which in the City of Coeur d'Alene, Idaho is not a holiday or a day on which banks are authorized to close.

"**Initial Warrant Exercise Date**" means the date hereof.

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

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

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

2. *Exercise of Warrant.*

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

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

or wire transfer.

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

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

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

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

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

6. *Covenants of the Company.*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) No adjustment in the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least five percent (5%) in such price; provided, however, that any adjustments which by reason of this Subsection (c) are not required to be made shall be carried forward and taken into account in any subsequent adjustment required to be made hereunder. All calculations under this Section 7 shall be made to the nearest cent or to the nearest one-hundredth of a share, as the case may be.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of _____, 2017

TIMBERLINE RESOURCES CORPORATION

By: _____

Name: _____

Title: _____

HOLDER:

(Name and address)

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 my 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 my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 25, 2018

By: /s/ Steven A. Osterberg

Steven A. Osterberg
President & Chief Executive Officer
Principal Executive Officer

CERTIFICATION

I, Randal Hardy, certify that:

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

Date: January 25, 2018

By: /s/ Randal Hardy

Randal Hardy
Chief Financial Officer
Principal Financial Officer

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

In connection with the Quarterly Report of Timberline Resources Corporation (the “Company”) on Form 10-Q for the quarter ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven A. Osterberg, President and Chief 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 the Company.

Date: January 25, 2018

By: /s/ Steven A. Osterberg

Steven A. Osterberg
President & Chief Executive Officer
Principal Executive Officer

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

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

In connection with the Quarterly Report of Timberline Resources Corporation (the “Company”) on Form 10-Q for the quarter ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Randal Hardy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: January 25, 2018

By: /s/ Randal Hardy

Randal Hardy
Chief Financial Officer
Principal Financial Officer

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