
BITTERROOT RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
OCTOBER 31, 2006 AND 2005



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Bitterroot Resources Ltd.

We have audited the consolidated balance sheets of Bitterroot Resources Ltd. as at October 31, 2006 and 2005 and the consolidated statements of earnings and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ "Manning Elliott LLP"

Chartered Accountants

Vancouver, British Columbia

February 11, 2007

BITTERROOT RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

OCTOBER 31	2006	2005
	\$	\$

ASSETS**Current Assets**

Cash and cash equivalents	1,403,712	920,448
Accounts receivable - other	215,868	75,948
Prepaid expenses	4,636	3,635

	1,624,216	1,000,031
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Reclamation Deposit

	9,300	5,804
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Resource Properties (Note 3)

	6,556,517	4,236,596
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Equipment (Note 4)

	13,049	18,622
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	8,203,082	5,261,053
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LIABILITIES**Current Liabilities**

Accounts payable and accrued liabilities	198,098	66,690
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SHAREHOLDERS' EQUITY**Share Capital** (Note 5)

	11,824,852	9,137,086
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Contributed Surplus (Note 6)

	1,579,357	934,568
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Deficit

	(5,399,225)	(4,877,291)
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	8,004,984	5,194,363
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	8,203,082	5,261,053
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APPROVED BY THE DIRECTORS

(Signed) Michael S. Carr

Michael S. Carr, Director

(Signed) George W. Sanders

George W. Sanders, Director

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

YEAR ENDED OCTOBER 31	2006	2005
	\$	\$
Expenses		
Amortization	5,573	7,397
Foreign exchange loss	2,965	174
Interest and bank charges	2,855	1,268
Management fees	72,000	72,000
Office and printing	65,803	62,030
Professional fees	54,161	81,340
Property investigation	34,803	10,055
Regulatory fees	9,874	11,371
Stock-based compensation (Note 7)	484,956	153,643
Transfer agent fees	9,784	9,957
Loss Before Other Items And Income Taxes	(742,774)	(409,235)
Other Items		
Interest income	38,563	4,888
Recovery (write-off) of resource property (Note 3(g))	(25,749)	85,137
Recovery of reclamation deposit written-off	1,109	-
Write-off of reclamation deposit	(5,804)	-
	8,119	90,025
Loss Before Income Taxes	(734,655)	(319,210)
Future income tax recovery	212,721	267,061
Net Loss For The Year	(521,934)	(52,149)
Deficit, beginning of year	(4,877,291)	(4,825,142)
Deficit, End Of Year	(5,399,225)	(4,877,291)
Basic And Diluted Loss Per Share	(0.01)	(0.00)
Weighted Average Number Of Shares Outstanding	38,660,286	30,356,994

BITTERROOT RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED OCTOBER 31	2006	2005
	\$	\$
Operating Activities		
Net loss for the year	(521,934)	(52,149)
Items not involving cash:		
Amortization	5,573	7,397
Write-off of resource property	25,749	19,725
Future income tax recovery	(212,721)	(267,061)
Stock-based compensation	484,956	153,643
Write-off of reclamation deposit	5,804	-
	<u>(212,573)</u>	<u>(138,445)</u>
Changes in non-cash working capital:		
Accounts receivable - other	(139,920)	(55,624)
Prepaid expenses	(1,001)	21,885
Accounts payable and accrued liabilities	131,408	(74,813)
	<u>(9,513)</u>	<u>(108,552)</u>
	<u>(222,086)</u>	<u>(246,997)</u>
Financing Activity		
Share issuances	2,928,998	1,444,828
Investing Activities		
Increase in reclamation deposits	(9,300)	-
Purchase of equipment	-	(2,831)
Resource property expenditures, net of recoveries	(2,214,348)	(828,415)
	<u>(2,223,648)</u>	<u>(831,246)</u>
Increase During The Year	483,264	366,585
Cash and cash equivalents, beginning of year	920,448	553,863
Cash And Cash Equivalents, End Of Year	<u>1,403,712</u>	<u>920,448</u>

Supplemental disclosure with respect to cash flows

	2006	2005
	\$	\$
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2006 AND 2005

1. Continuing Operations

Bitterroot Resources Ltd. (the "Company"), incorporated in British Columbia, is a public company listed on the TSX Venture Exchange.

The Company is in the exploration stage and its principal business activity is the sourcing and exploration of resource properties.

At October 31, 2006, the Company was in the process of exploring its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Company incurred a loss of \$521,934 for the year ended October 31, 2006 (2005 - \$52,149), and had a deficit of \$5,399,225 at October 31, 2006 (2005 - \$4,877,291) which has been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing, and generating revenues sufficient to cover its operating costs.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheets.

2. Significant Accounting Policies

To facilitate review of these financial statements, the significant accounting policies followed by the Company are summarized below:

(a) Basis Of Presentation

These consolidated financial statements include the accounts of the Company, which is incorporated under the laws of British Columbia, and its wholly-owned subsidiaries, Trans Superior Resources, Inc. and Voyageur Lands Corporation, both of which are Michigan, USA corporations. All significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Use Of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to resource properties, determination of a valuation allowance for future income tax assets, and to the valuation of stock-based compensation. Management believes the estimates are reasonable.

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2. Significant Accounting Policies (Cont'd)

(c) Resource Properties

The company accounts for resource properties in accordance with the Canadian Institute of Chartered Accountants Handbook Section 3061, "Property, plant and equipment" ("CICA 3061"), and abstract EIC 126, "Accounting by Mining Enterprises for Exploration Costs" ("EIC 126") of the Emerging Issues Committee. CICA 3061 provides for the capitalization of the acquisition and exploration costs of a mining property where such costs are considered to have the characteristics of property, plant and equipment. EIC 126 provides that a mining enterprise is not precluded from considering exploration costs to have the characteristics of property, plant and equipment when it has not established mineral reserves objectively and, therefore, does not have a basis for preparing a projection of the estimated future net cash flow from the property.

Resource properties include initial acquisition costs and related option payments, which are recorded when paid. Exploration and development costs are capitalized until properties are brought into production, at which time costs are amortized on a unit of production basis over economically recoverable reserves. Option payments are credited against resource property costs when received. No gain or loss on disposition of a partial interest is recorded until all carrying costs of the interest have been offset by proceeds of sale or option payments received.

CICA 3061 also provides that property, plant and equipment be written down when the long-term expectation is that the net carrying amount will not be recovered. EIC 126 states that a mining enterprise which has not objectively established mineral reserves and, therefore, does not have a basis for preparing a projection of the estimated future cash flow from a property is not obliged to conclude that the capitalized costs have been impaired.

However, EIC 126 references certain conditions that should be considered in determining subsequent write-downs, such as changes or abandonment of a work program or poor exploration results, and management reviews such conditions to determine whether a write-down of capitalized costs is required. When the carrying value of a property exceeds its net recoverable amount, provision is made for the impairment in value.

(d) Equipment

Equipment is recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated amortization. When equipment is sold or abandoned, the recorded costs and related accumulated amortization are removed from the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Amortization is calculated on the declining balance method at the following rates per annum:

Computer hardware	-	30%
Computer software	-	100%
Furniture and fixtures	-	20%
Leasehold improvements	-	20%
Field equipment	-	30%

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2. Significant Accounting Policies (Cont'd)

(d) Equipment (Cont'd)

The Company reviews the carrying value of equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset exceeds the estimate of undiscounted future cash flows from the asset. At that time, the carrying amount is written down to fair value.

(e) Foreign Currency Translation

The accounts of the non-Canadian subsidiary, which is considered to be dependent on the Company, and transactions of Canadian operations denominated in foreign currencies are translated to Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at current rates of exchange and other assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at average rates of exchange for the year, except for depreciation and amortization which are translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized currently in earnings.

(f) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding and the treasury stock method is used to calculate diluted earnings per share. For the years presented, this calculation proved to be anti-dilutive.

(g) Stock-Based Compensation Plan

The Company has a stock-based compensation plan which is described in Note 7.

The Company follows the CICA's Handbook Section 3870 "*Stock-Based Compensation and Other Stock-Based Payments*", which established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. Agent's warrants, stock options and direct awards of stock are recorded at fair value on the date of grant.

(h) Income Taxes

Income taxes are accounted for under the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates expected to be recovered or settled. The effect on future tax assets and liabilities of changes in tax rates is recognized in income in the period that substantive enactment occurs.

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2. Significant Accounting Policies (Cont'd)

(i) Flow-Through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of EIC-146 with respect to flow-through shares. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

(j) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110, "*Asset Retirement Obligations*". This standard requires liability recognition for retirement obligations associated with the Company's resource properties. The standard requires the Company to recognize the fair value of the liability for an asset retirement obligation in the period in which it is incurred and record a corresponding increase in the carrying value of the related long-lived asset. Fair value is estimated using the present value of the estimated future cash outflows. The liability is subsequently adjusted for the passage of time, and is recognized as an accretion expense in the statements of operations. The increase in the carrying value of the asset is amortized on the same basis as the resource properties. This change in accounting policy has no effect on the Company's prior or current financial statements.

(k) Cash And Cash Equivalents

Cash and cash equivalents are highly liquid investments and are readily convertible to contracted amounts of cash.

BITTERROOT RESOURCES LTD.
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3. Resource Properties

	GK Project B.C., Canada	Mineral Creek Property B.C., Canada	Spences Bridge Project, B.C., Canada	North Brenda Property B.C., Canada	Big Southeaster Property B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$	\$	\$	\$
Balance – October 31, 2004	450,890	-	-	-	-	2,827,016	3,277,906
Deferred Costs During The Year							
Acquisition costs	31,000	219,000	-	-	-	-	250,000
Aircraft charter	-	19,270	-	-	-	-	19,270
Claims, leases and permits	4,425	1,325	-	-	-	9,337	15,087
Consulting and professional	122,551	92,869	-	-	-	5,271	220,691
Drilling	211,045	178,668	-	-	-	-	389,713
Field supplies	1,408	3,515	-	-	-	216	5,139
Fuel	1,562	4,939	-	-	-	-	6,501
Geochemistry	29,515	3,597	-	-	-	349	33,461
Geophysics	771	-	-	-	-	111,091	111,862
Ground transportation	6,324	7,620	-	-	-	1,577	15,521
Other	22,806	1,749	-	-	-	4,813	29,368
Recovery of costs	-	-	-	-	-	(174,624)	(174,624)
Room and board	15,220	11,216	-	-	-	879	27,315
Travel and freight	5,998	1,869	-	-	-	1,519	9,386
	452,625	545,637	-	-	-	(39,572)	958,690
Balance – October 31, 2005	903,515	545,637	-	-	-	2,787,444	4,236,596
Deferred Costs During The Period							
Acquisition costs	30,000	110,000	-	40,625	35,603	-	216,228
Aircraft charter	-	18,875	-	6,394	-	-	25,269
Claims, leases and permits	12,924	890	3,302	4,873	500	16,781	39,270
Consulting and professional	48,683	284,077	13,033	72,826	5,175	26,851	450,645
Drilling	-	967,839	-	10,266	-	5,170	983,275
Field supplies	2,458	21,086	228	2,654	-	803	27,229
Fuel	960	12,755	430	3,433	-	-	17,578
Geochemistry	49,898	39,687	7,757	101,859	-	6,482	205,683
Geophysics	90,553	-	-	187,164	-	72,793	350,510
Ground transportation	2,055	21,890	776	6,340	-	9,629	40,690
Other	3,224	8,285	11	6,803	190	6,594	25,107
Recovery of costs	-	-	-	-	-	(185,308)	(185,308)
Room and board	3,271	51,549	1,885	19,060	-	2,452	78,217
Stock-based compensation	10,928	-	2,732	13,661	-	-	27,321
Travel and freight	1,810	9,129	97	905	284	5,982	18,207
	256,764	1,546,062	30,251	476,863	41,752	(31,771)	2,319,921
Balance – October 31, 2006	1,160,279	2,091,699	30,251	476,863	41,752	2,755,673	6,556,517

BITTERROOT RESOURCES LTD.
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3. Resource Properties (Cont'd)

Title to resource properties involves certain inherent risks due to difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to its resource properties and to the best of its knowledge, title to its properties are in good standing.

(a) Michigan, U.S.A.

(i) Mineral Rights, Michigan, U.S.A.

The Company owns a 100% interest in mineral rights covering approximately 363 square miles in the Upper Peninsula of Michigan, U.S.A. On approximately 106 square miles, the vendor retains a 2% net smelter return royalty (NSR) and the Company has the option to purchase one half of the total 2% NSR royalty by paying \$1,000,000 U.S. on or before December 31, 2048.

On February 18, 2003, the Company entered into an option agreement with Cameco Corporation whereby the Company granted to Cameco the option to acquire a 65% interest in certain Michigan mineral rights. To earn this interest Cameco must incur total expenditures of \$23,600,000 in the entire area of interest over a period of 18 years, subject to earn-in levels ranging from \$1,000,000 to \$10,000,000 for portions of the area of interest. In order to maintain the right to exercise its option, Cameco must incur expenditures of \$250,000 during the first year (incurred), \$350,000 during the second year (incurred), \$500,000 during each of the third and fourth years, and \$1,000,000 per year for subsequent years. The Company will receive inflation adjusted payments of \$60,000 (received) per year.

Subsequent to year end the Company entered into negotiations with Cameco Corporation to amend the deadlines for minimum exploration expenditures. At all times the existing agreement with Cameco Corporation remained in good standing.

(ii) State Leases

At October 31, 2006, the Company held leases covering approximately 1,160 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from two to seven percent, or to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis. The Company acquired additional leases after year end subject to similar royalty terms, except for an increase in the sliding scale to a maximum of 10.5%. In order to maintain the leases in good standing, the Company must make aggregate rental payments of \$257,881 through February 28, 2014. Minimum rental payments due in the next five years are as follows:

	\$
2007	27,284
2008	27,044
2009	27,524
2010	27,524
2011	21,764

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3. Resource Properties (Cont'd)

(b) GK Property, B.C., Canada

During the year ended October 31, 2003, the Company was granted an option to acquire a 100% interest in the GK Property located east of the town of Beaverdell, British Columbia. In order to earn this interest, the Company has issued 300,000 common shares at a value of \$85,000, and is required to pay \$30,000 (paid) by June 15, 2006, \$30,000 by June 15, 2007 and \$25,000 by June 15, 2008.

During the year ended October 31, 2006, the Company incurred expenditures of \$226,764 relating to the GK property in addition to the above \$30,000 of acquisition costs.

(c) Mineral Creek Property, B.C., Canada

On May 1, 2005, the Company entered into an option agreement with Mineral Creek Ventures Inc. whereby the Company can earn an initial 55% interest in the Mineral Creek Property (formerly known as the Debbie Property) which is located on Vancouver Island, 10 kilometres southeast of Port Alberni, B.C. The Company can earn a 55% interest in the property by completing exploration expenditures of \$1,200,000, issuing 450,000 common shares (350,000 shares issued) and making cash payments totaling \$160,000 (paid) within a three-year period. The final 100,000 shares must be issued by the end of the second anniversary of TSX Venture Exchange approval. The Company can subsequently earn an additional 20% interest in the property by completing further exploration expenditures of \$800,000, issuing 200,000 common shares and making a cash payment of \$50,000 per year, totaling \$100,000 within the following two years. In addition, the Company acquired a 75% interest in five adjoining mineral claims by issuing 100,000 common shares valued at \$34,000 to a private party.

During the year ended October 31, 2006, the Company incurred acquisition and exploration expenditures of \$1,546,062 relating to the Mineral Creek property.

(d) Spences Bridge Project, B.C., Canada

On January 17, 2006, the Company acquired 14 claim blocks covering 6,030 hectares located in the Spences Bridge gold belt in southwestern British Columbia.

During the year ended October 31, 2006, the Company incurred exploration expenditures of \$30,251 relating to the Spences Bridge property.

(e) North Brenda Property, B.C., Canada

On April 4, 2006, the Company entered into an agreement to acquire a 100% interest in the North Brenda molybdenum/copper/gold property in southwestern British Columbia.

In order to earn a 100% interest in the property, the Company will pay \$10,000 and has issued 50,000 common shares at a value of \$29,500 to the vendors. Prior to the first anniversary, the Company is required to complete \$50,000 of exploration expenditures and issue an additional 50,000 common shares to the vendors. Prior to the second anniversary, the Company is required to issue an additional 50,000 common shares. Prior to the third anniversary, the Company is required to issue common shares with a value of \$50,000. The vendors will also retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the year ended October 31, 2006, the Company incurred acquisition and exploration expenditures of \$476,863 relating to the North Brenda property.

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3. Resource Properties (Cont'd)

(f) Big Southeaster Property, B.C., Canada

On June 1, 2006, the Company entered into an agreement with Strongbow Exploration Inc. (33%) and Mr. Barry Hanslit (67%) to acquire a 100% interest in their jointly-owned 16 square kilometre property, which adjoins the south side of the Mineral Creek property.

In order to earn a 100% interest in the claims, the Company has paid \$10,000 and has issued 50,000 shares at a value of \$24,500. The Company must issue 50,000 additional shares before the first and second anniversaries, complete \$50,000 of exploration expenditures before the second anniversary and issue common shares with a value of \$50,000 prior to the third anniversary. The vendors will also retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the year ended October 31, 2006, the Company incurred acquisition and exploration expenditures of \$41,752 relating to the acquisition of the Big Southeaster property.

(g) Mistassini, Quebec, Canada

During the years ended October 31, 2004 and 2003, the Company staked 611 claims in the Otish/Mistassini region of northern Quebec. During the year ended October 31, 2004, management of the Company determined that the majority of the claims were not economically viable. Consequently, all related costs were written-off to operations. Additional expenditures incurred in the year ended October 31, 2006 of \$25,749, were also written-off to operations.

4. Equipment

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	8,149	7,016	1,133	1,618
Computer software	407	407	-	204
Furniture and fixtures	1,104	309	795	994
Leasehold improvements	5,654	5,199	455	569
Field equipment	25,609	14,943	10,666	15,237
	40,923	27,874	13,049	18,622

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5. Share Capital

(a) Authorized

The authorized share capital consists of 100,000,000 common shares without par value.

(b) Common Shares Issued

	Number Of Shares	Value \$
Balance - October 31, 2004	27,861,311	7,809,319
Issued for cash		
Exercise of stock options	311,032	31,103
Pursuant to private placements	4,113,168	1,132,200
Exercise of warrants	1,012,500	303,750
Resource property option payments	450,000	150,000
Share issue costs	-	(22,225)
Future income taxes on expenditures renounced to shareholders	-	(267,061)
Balance - October 31, 2005	33,748,011	9,137,086
Issued for cash		
Exercise of stock options	600,000	60,000
Pursuant to private placements	6,518,332	2,735,749
Exercise of warrants	1,005,000	351,500
Resource property option payments	200,000	104,000
Share issue costs	-	(350,762)
Future income taxes on expenditures renounced to shareholders	-	(212,721)
Balance - October 31, 2006	42,071,343	11,824,852

During the year ended October 31, 2006, the Company issued 2,568,332 flow-through common shares at a price of \$0.45 per share, and 3,950,000 units at a price of \$0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the company at \$0.55, expiring September 30, 2007. The Company paid the agent a 6% cash commission and issued 391,100 broker options, which are exercisable at \$0.40 until September 30, 2007 into units with the same terms and conditions. The fair value of the broker options under the Black-Scholes model was \$132,512, and was recorded as a share issuance cost.

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5. **Share Capital** *(Cont'd)*

(b) **Common Shares Issued** *(Cont'd)*

The following weighted average assumptions were used for the Black-Scholes valuation of agent's options issued during the year:

	2006	2005
Volatility percentage	61%	-
Risk-free interest rate	4.25%	-
Dividend yield	-	-
Expected life of options	1.5 years	-

During the year ended October 31, 2005, the Company issued common shares pursuant to the following private placements:

- (i) The Company issued 1,035,000 flow-through units at a price of \$0.25 per unit. Each flow-through unit consisted of one flow-through common share and one-half of a non-transferable common share purchase warrant. Each full warrant entitled the holder to acquire an additional common share of the Company at \$0.30 per share, expiring December 22, 2005.
- (ii) The Company issued 2,078,168 flow-through shares at a price of \$0.30 per share. In addition, the Company issued 1,000,000 units at a price of \$0.25 per unit. Each unit consisted of one common share and one-half of a non-transferable common share purchase warrant. Each full warrant entitled the holder to acquire an additional common share at \$0.40 per share, expiring July 20, 2006.

(c) **Warrants**

Warrant transactions are summarized as follows:

	Number Of Warrants
Balance - October 31, 2005	2,005,000
Issued on private placement	3,950,000
Exercised	(1,005,000)
Expired	(1,000,000)
Balance - October 31, 2006	3,950,000

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5. Share Capital (Cont'd)

(c) Warrants (Cont'd)

The following share purchase warrants (convertible to an equivalent number of common shares) were outstanding at October 31, 2006:

Number Of Warrants	Exercise Price \$	Expiry Date
3,950,000	0.55	September 30, 2007

A further 391,100 warrants are issuable upon the exercise of the broker options.

(d) Broker options

At October 31, 2006 there were 391,100 broker options outstanding, exercisable at \$0.40 until September 30, 2007. Upon exercise the Company will issue one common share and one share purchase warrant exercisable at \$0.55 until September 30, 2007.

6. Contributed Surplus

The Company's contributed surplus is comprised of the following:

	2006 \$	2005 \$
Balance, Beginning Of Year	934,568	780,925
Stock-based compensation (Note 7)	644,789	153,643
Balance, End Of Year	1,579,357	934,568

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7. Stock Option Plan And Stock-Based Compensation

The Company, in accordance with the policies of the TSX Venture Exchange, has a stock option plan in place under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years.

Stock option transactions and the number of stock options outstanding and exercisable are summarized as follows:

	Number Of Options	Weighted Average Exercise Price \$
Balance - October 31, 2004	2,726,032	0.33
Options granted	500,000	0.39
Options exercised	(311,032)	(0.10)
Balance - October 31, 2005	2,915,000	0.36
Options granted	1,125,000	0.53
Options exercised	(600,000)	(0.10)
Balance - October 31, 2006	3,440,000	0.46

The following stock options were outstanding and exercisable at October 31, 2006:

Number Of Options	Exercise Price \$	Expiry Date
100,000	0.10	February 5, 2007
115,000	0.10	September 9, 2007
270,000	0.15	September 20, 2008
480,000	0.61	January 29, 2009
670,000	0.53	May 24, 2009
180,000	0.53	July 5, 2009
500,000	0.39	March 17, 2010
1,125,000	0.53	April 4, 2011

The weighted average contract life remaining on the above stock options is 2.82 years. The weighted average grant-date fair value of options granted during the year ended October 31, 2006, was \$0.46 per option (2005 - \$0.31 per option).

Total compensation expense recognized for stock options granted during the year was \$512,277 (2005 - \$153,643). Stock-based compensation of \$27,321 (2005 - \$Nil) was capitalized to resource properties for options granted and \$484,956 (2005 - \$153,643) was expensed to operations for options granted to directors of the Company. The Company also recorded a share issuance cost of \$132,512 (2005 - \$Nil) in respect of broker options issued, as described in Note 5(b).

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7. Stock Option Plan And Stock-Based Compensation (Cont'd)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2006	2005
Volatility percentage	127%	107%
Risk-free interest rate	4.22%	3.75%
Dividend yield	-	-
Expected life of options	5 years	5 years

8. Non-Cash Transactions

During the year ended October 31, 2006, the Company issued 200,000 shares in respect of option payments for resource properties, with a fair value of \$104,000. Additionally the Company incurred a share issuance cost, in respect of private placement, consisting of options to purchase 391,100 units, with a fair value of \$132,512.

During the year ended October 31, 2005, the Company issued 450,000 shares in respect of option payments for resource properties, with a fair value of \$150,000.

9. Related Party Transactions

The following is a summary of related party transactions and balances for the year ended October 31, 2006 not disclosed elsewhere in the financial statements:

- (a) Management fees of \$72,000 (2005 - \$72,000) were incurred with a company controlled by a director in common with the Company. These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.
- (b) Accounts payable at October 31, 2006 includes \$19,382 (2005 - \$2,653) due to a company controlled by a director in common with the Company.
- (c) Stock-based compensation includes stock options granted to directors recorded at a fair value of \$484,956 (2005 - \$153,643).

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10. Income Taxes

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2006	2005
Canadian statutory income tax rate	34.12%	35.62%
	\$	\$
Income tax recovery at statutory rate	250,664	113,703
Non-deductible items and timing differences for tax purposes:		
Amortization	(1,902)	(2,635)
Stock-based compensation expense	(165,467)	(54,728)
Recovery (write-off) of resource properties and reclamation deposit	(10,387)	30,326
Prescribed resource loss	(7,746)	(14,145)
Share issuance costs	37,080	13,722
Valuation allowance	110,479	180,818
Income Tax Recoverable	212,721	267,061

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at October 31, 2006 and 2005 are presented below:

	2006	2005
	\$	\$
Net operating loss carry-forwards	394,963	376,091
Capital loss carry-forwards	83,737	87,419
Resource properties	(329,777)	(139,377)
Equipment	9,510	4,561
Share issuance costs	123,215	42,400
Valuation allowance	(281,648)	(371,094)
	-	-

Based upon the level of historical taxable income and projections for future taxable income over the years which the future tax assets are deductible, management has provided a full valuation allowance for the future tax assets.

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10. Income Taxes (Cont'd)

The Company has approximately \$1,158,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2007	113,000
2008	106,000
2009	104,000
2010	114,000
2014	179,000
2015	242,000
2026	300,000
	<u>1,158,000</u>

The Company also has certain allowances in respect of resource development and exploration costs of \$2,761,577 which, subject to certain restrictions, are available to be offset against future taxable income.

11. Segmented Information

(a) Industry Information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of resource properties.

(b) Geographic Information

The Company's property and equipment in geographic locations are as follows:

	2006	2005
	\$	\$
Canada	3,813,893	1,467,774
U.S.A.	2,755,673	2,793,248
	<u>6,569,566</u>	<u>4,261,022</u>

12. Financial Instruments

The Company's financial instruments consist of cash, accounts receivable - other, reclamation deposit, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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13. Commitments

The Company is required to make certain cash payments and to issue shares to maintain its resource properties, as described in Note 3(a)(ii), 3(b), 3(c), 3(e) and 3(f).

14. Subsequent Events

- (a) The Company closed a non-brokered private placement of 4,600,001 units priced at \$0.55 per unit. Each unit consists of one common share and one-half of a common share purchase warrant. One warrant will entitle the holder to acquire an additional common share of the Company at \$0.80, expiring November 17, 2008. The securities are subject to a hold period expiring March 17, 2007. A finder's fee of \$20,000 was paid in conjunction with the private placement.
- (b) The Company closed an over-subscribed non-brokered private placement of 1,203,164 flow-through common shares priced at \$0.75 per share. The securities are subject to a hold period expiring April 20, 2007. Finder's fees of \$23,750 were paid in conjunction with the private placement.
- (c) The Company entered into an agreement to acquire a 100% interest in the SPN claims, which are located approximately 20 kilometres southeast of Barriere, BC. In order to earn a 100% interest, the company will pay \$10,000 and issue 50,000 common shares (issued). Prior to the first anniversary, the Company is required to complete \$50,000 of exploration expenditures and issue an additional 50,000 common shares. Prior to the second anniversary, the Company is required to issue an additional 50,000 common shares. Prior to the third anniversary, the Company is required to issue common shares with a value of \$50,000. The vendor will also retain a 2% net smelter returns of which the Company can purchase half by paying \$1,000,000.
- (d) The Company granted incentive stock options to acquire 950,000 common shares at \$0.70 per share, expiring January 12, 2012.
- (e) Subsequent to the year-end, 100,000 options were exercised for proceeds of \$10,000.

15. Comparative Figures

Certain figures from the previous year have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

BITTERROOT RESOURCES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended October 31, 2006

As of February 23, 2007

SUMMARY OF ACTIVITIES

In the year ended October 31, 2006, the majority of Bitterroot Resources Ltd.'s Canadian exploration expenditures were on drilling and associated costs on the Mineral Creek gold project and geological, geochemical and geophysical surveys on the North Brenda and GK projects, all of which are in British Columbia. In Michigan, the majority of exploration expenditures were for geophysical surveys on lands included in the Cameco uranium joint venture. Total exploration expenditures in the year, excluding cost recoveries and option payments were \$2,505,229. Share issuances and funding from Cameco Corporation contributed \$2,981,795 to Bitterroot's working capital during the financial year, while expenses (net of stock-based compensation) were \$257,818.

INTRODUCTION

Bitterroot Resources Ltd. is a mineral resource company engaged directly and indirectly through its wholly-owned Michigan subsidiaries, (collectively referred to herein as "the Company" or "Bitterroot"), in the acquisition and exploration of mineral properties. In central Vancouver Island, BC, the Company is currently earning up to a 75 percent interest in the Mineral Creek gold property near Port Alberni, BC and is earning a 100 percent interest in the adjoining Big Southeaster project. In southern BC, the Company completed its third year of exploration on the GK gold project and initiated work on the North Brenda copper/molybdenum/gold project and on the 100 percent-owned Spences Bridge project. Bitterroot is currently earning 100 percent interests in the GK and North Brenda projects. In Michigan, Bitterroot's wholly-owned subsidiary owns recorded mineral title interests covering approximately 363 square miles in the Upper Peninsula. Under the terms of an option/joint venture agreement with a US subsidiary of Cameco Corporation, Cameco is currently funding exploration on a portion of these lands in order to earn a 65% interest. The Company also currently holds leases over 8,000 acres of State-owned mineral rights, the majority of which are subject to the Cameco option. In Quebec, the Company owns a 100 percent interest in 88 mineral claims covering approximately 4,780 hectares in the Mistassini region.

During and subsequent to the year ended October 31, 2006, strength in commodity prices, particularly uranium and gold, have enhanced the Company's ability to raise funds for working capital and mineral exploration programs. The Company is exposed to commodity price risk due to the nature of the mineral exploration business. Management seeks to minimize political risk by operating in road-accessible locations in Canada and the United States of America.

The following Management Discussion and Analysis (MD&A) should be read in conjunction with Bitterroot Resources Ltd.'s audited annual consolidated financial statements for the year ended October 31, 2006 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2005.

OVERALL PERFORMANCE

Results of Operations

Detailed exploration results are available on www.sedar.com or on the Company's website (www.bitterrootresources.com).

Michigan Uranium Joint Venture

During the year ended October 31, 2006, Bitterroot and its joint venture partner Cameco Corporation continued exploration for uranium deposits in Michigan. Horizontal loop EM surveys were completed over several target areas in order to accurately locate a number of conductive zones. Permitting was initiated during the year, in advance of drilling. Drilling was delayed until December 2006, pending resumption of the Michigan Department of Natural Resources' (DNR) metallic minerals leasing program. Subsequent to the year end, the subject leases were issued by the State of Michigan, all required permits were received. A seven-hole, 1,322 metre drilling program was completed in the first quarter of 2007. Core samples are currently being logged and sampled.

In order to continue to maintain its option under the recently amended agreement, Cameco is required to fund exploration expenditures totalling \$500,000 during the period September 1, 2005 to August 31, 2007. Bitterroot is the operator of this exploration program, incurring expenditures and then invoicing Cameco for reimbursement of these expenditures, plus a 10 percent management fee. The Company's management expects that Cameco's required expenditures will be made in advance of the August 31, 2007 date, based on expenditures incurred up to the date of this report and planned future expenditures.

In the year ended October 31, 2006, Bitterroot spent \$153,538 on its Michigan projects, mainly on geophysical surveys and geophysical consulting. In addition to a \$60,000 option payment, Cameco refunded \$96,079 to Bitterroot under the terms of the option agreement. Mr. Jan Klein, P.Eng, P.Geo is the Qualified Person responsible for design, execution and interpretation of the Company's geophysical surveys and selection of drill targets in Michigan. Ms. Georgina Price, P.Geo is the Qualified Person responsible for the logging and sampling of core samples.

Mineral Creek Gold Project, British Columbia

A drill rig operated on the Mineral Creek project, one shift per day, for most of the year ended October 31, 2006. Approximately 9,900 metres of core drilling were completed in 68 holes. The road-accessible Mineral Creek property is located approximately 10 kilometres southeast of Port Alberni, BC. Ongoing logging operations continue to improve access for the Company's mineral exploration programs.

1050 and 900 Zones

In late 2005, the last four holes of a 14-hole program were completed on the 1050 Zone, prior to the onset of winter weather. This work identified high-grade gold mineralization, but was hampered by broken ground and topography which rises steeply in the down-dip direction. Additional deep holes to test the 1050 Zone's down-dip extent are being considered in 2007. The drill was moved from the 1050 Zone to the 900 Zone, where approximately 2,330 metres of drilling in 13 holes tested for extensions of the 900 Zone. Numerous low-grade gold-bearing altered zones were intersected on two structural trends. Future work on the 900 Zone is expected to involve underground drilling and bulk sampling from the existing underground workings. The one kilometre-long interval between the 1050 Zone and the 900 Zone remains untested, and additional drill holes are being considered in 2007.

Gap and Lower Mineral Creek Zones

After testing the 900 Zone, the drill moved east to test the Gap Zone (640 metres of drilling in 3 holes) and the Lower Mineral Creek Zone (1,245 metres of drilling in 6 holes). Again drilling returned low-grade gold intersections, albeit with favourable alteration, structure and arsenopyrite mineralization. No additional holes are currently planned for this area.

Linda Zone

During the period from June to November 2006, the drill tested the Linda Zone, where approximately 4,100 metres of drilling was completed in 44 holes. The Linda Zone has been tested by 44 diamond drill holes. All 44 holes returned significant gold values ranging from trace to very high-grade vein intercepts over commonly narrow widths. A highlight of the drilling results is an interval which returned 390.26 grams gold/Tonne (check assayed 395.19 grams gold/Tonne) over a 0.15 metre true width in the Lower Linda vein. Drilling also intersected a newly discovered parallel vein which initially assayed 25.88 grams gold/Tonne over a 0.10 metre true width, then returned check assays of 188.89 and 185.46 grams gold/Tonne. A third vein with visible gold in outcrop was discovered during construction of Drill Setup 8, which subsequently assayed 14.75 grams gold/Tonne over a true width of 0.15 metres in hole. The Lower Linda vein has been intersected over a strike length of approximately 150 meters and over an elevation range of approximately 100 metres. The vein's dip-length is currently 45 metres and is open at depth. Follow-up drilling of the Linda Zone is expected to resume in the second quarter of 2007, as snow conditions permit. The Company's partner, Mineral Creek Ventures Inc. has applied to the BC Ministry of Energy, Mines and Petroleum Resources for permits to conduct an underground bulk sample of up to 5,000 Tonnes from the Lower Linda vein. This application is currently being reviewed by Ministry staff. Subject to receipt of the permits, work is currently also expected to begin as local snow conditions allow.

On May 1, 2005 Bitterroot entered into an agreement whereby the Company has the option to earn up to a 75% interest in the 7,129 hectare Mineral Creek property. Bitterroot can earn an initial 55 percent interest in the property by completing exploration expenditures of \$1,200,000 million, issuing 450,000 (350,000 issued) common shares and making cash payments totaling \$160,000 (paid) within a three year period. Bitterroot can subsequently earn an additional 20

percent interest in the Mineral Creek property by completing further exploration expenditures of \$800,000, issuing 200,000 common shares and making cash payments totaling \$100,000 within the following two years. In addition to optioning the Mineral Creek property, Bitterroot acquired a 75 percent interest in five adjoining mineral claims on 1,562 hectares by issuing 100,000 common shares to a private party.

In the year ended October 31, 2006, Bitterroot spent \$1,546,062 on the Mineral Creek project, mainly on drilling, geological consulting and acquisition costs. Mr. Michael Becherer, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the Mineral Creek property.

GK Gold/Silver Project, British Columbia

The road-accessible GK claims are located 8 kilometres east of the Highland Bell (Beaverdell) silver mine, which operated for over 90 years. Bitterroot is earning a 100 percent interest in the claims. During 2006, the cut grid was extended to allow additional geophysical surveys and soil sampling. In 2006, over 2,000 soil samples were collected, which defined several previously unknown zones of anomalous gold, arsenic, copper and silver in soil. The most prominent of these is the Hornet Zone, which hosts highly anomalous gold-in soil (50 to 5,800 ppb) in an area measuring approximately 500 metres x 175 metres. The Hornet zone also hosts coincident anomalous silver, arsenic and copper values in soil. A grab sample of quartz vein float from within the Hornet Zone returned an assay of 16.2 grams gold/Tonne. The 2007 exploration program is currently being planned, which will include construction of a drill access road, backhoe trenching, geophysical surveys and geological mapping, followed by drilling in the second half of the year. A drill rig is expected to be moved from the North Brenda property to the GK property in early March to test a road-accessible gold-bearing quartz breccia zone in the Romo North gold-in-soil anomaly. Approximately 1,200 metres of drilling in four holes are planned.

In the year ended October 31, 2006, Bitterroot spent \$256,764 on the GK Project, mainly on geophysical and geochemical surveys and geological consulting. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the GK project.

North Brenda Copper/Molybdenum/Gold Project, British Columbia

The North Brenda project was acquired in early 2006. Bitterroot is earning a 100 percent interest in the claims, which are tied on to the north side of the past-producing Brenda copper/molybdenum mine property, approximately 55 kilometres east of Kelowna, BC. Access is via an extensive network of logging roads and the Coquihalla Connector (BC Highway 97C), which crosses the central part of the property. Since the property was optioned, over 100 line-kilometres of grid were cut, followed by detailed soil sampling, geophysical surveys (IP, magnetics and gravity) and geological mapping. This work has identified two main target areas. The eastern half of the property is prospective for intrusion-hosted copper/molybdenum mineralization along the trend of the Brenda Mine mineralized system, as evidenced by mineralized outcrop, anomalous copper/molybdenum soil geochemistry and geophysical

response. The western half of the property is underlain by metavolcanics and sedimentary rocks which host areas with anomalous lead, zinc, silver and arsenic in soil. Drilling is currently underway on the western half of the property. As of the date of this report, the Company has drilled 1,580 metres in seven holes.

In the year ended October 31, 2006, Bitterroot spent \$476,863 on the North Brenda project, mainly on geochemical and geophysical surveys and geological consulting. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the North Brenda project.

Big Southeaster Gold Project, British Columbia

The road-accessible Big Southeaster property was optioned in June 2006 and Bitterroot is currently earning a 100 percent interest in the property. The Big Southeaster claims are tied on to the south side of the Mineral Creek property, 15 kilometres southeast of Port Alberni, BC. The structural and stratigraphic setting is similar to the Mineral Creek property. The property hosts numerous pits and short adits dug to test exposures of gold and base metals mineralization in Sicker Group volcanic and sedimentary rocks. A drill rig has been operating on the property since early December 2006, utilizing newly constructed logging roads for access into previously inaccessible areas. As of the date of this report, the Company's drilling contractor has completed 1,830 metres of core drilling in six holes. Core logging has identified quartz veining, alteration and copper and zinc sulphide-bearing quartz stockworks. Samples are currently being shipped to the lab for analysis and drilling is continuing.

In the year ended October 31, 2006, Bitterroot spent \$41,752 on the Big Southeaster project, mainly on acquisition costs and geological consulting. John Wilson, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the Big Southeaster project.

SPN Copper/Gold Project, British Columbia

Subsequent to the year end, in January 2007, Bitterroot entered into an agreement to acquire a 100 percent interest in the SPN Claims, which are located approximately 20 km southeast of Barriere, British Columbia. The 467-claim (9,490 hectares) SPN property was staked to cover a relatively unexplored, road-accessible area which is the source of multi-element (Au, Ag, Cu, Co, Pb, Zn and As) stream silt geochemical anomalies. Bitterroot's 2007 exploration program will start when snow conditions permit in the late spring. This work is expected to include prospecting, soil geochemical surveys, geophysical surveys and geological mapping.

In the year ended October 31, 2006, Bitterroot incurred pre-acquisition investigation costs of \$19,100 relating to the SPN project, mainly on geochemical surveys and geological consulting. Expenditures incurred investigating the project in the year ended October 31, 2006 were expensed as property investigation costs. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the SPN project.

Spences Bridge Gold Project, British Columbia

In January 2006, Bitterroot staked 14 claims covering 6,030 hectares located in the Spences Bridge area in southwestern British Columbia, approximately seven kilometres from the Skoonka Creek gold discovery. This relatively under-explored region of southwestern British Columbia has good logging road access, geological similarities to the Republic Graben of Washington State and southern British Columbia and is close to major highways and railroads. The first phase of reconnaissance surface exploration on Bitterroot's claims was carried out in the spring of 2006. This work consisted mainly of prospecting and stream silt geochemical surveys. Several anomalous areas were identified. A limited follow-up program is planned for 2007.

In the year ended October 31, 2006, Bitterroot spent \$30,251 on the Spences Bridge Project, mainly on geochemical surveys and geological consulting. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the Spences Bridge project.

Mistassini Nickel Project, Quebec

Data from the 2004 drilling program was re-assessed. Approximately \$584,000 of qualifying exploration expenditures have been filed with the Quebec MRN, which allowed the retention of 88 claim cells. Additional data compilation and target development are planned in 2007. Expenditures of \$25,749 were incurred, mainly for geological consulting. These expenditures have been written-off to operations. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the Mistassini project.

Financial Condition

At October 31, 2006, Bitterroot had working capital of \$1,426,118, which included accounts receivable of \$126,254 due from Cameco and \$66,857 due from GST refunds. Resource properties had a book value of \$6,556,517, compared to \$4,236,596 at the beginning of the financial year. For the year ended October 31, 2006, cash inflows exceeded cash outflows by \$483,264, which when combined with the \$920,448 cash balance at the beginning of the year, resulted in a year-end cash position of \$1,403,712. The cash inflows were a result of share issuances for net proceeds of \$2,928,998. Cash outflows were comprised principally of resource property expenditures, (net of recoveries from Cameco), of \$2,214,348 and operating expenses of \$252,245 (net of stock-based compensation and amortization).

Summary of Financial Results

During the year ended October 31, 2006, the Company had a net loss of \$521,934, compared to a net loss of \$52,149 in the prior year. The increased loss was mainly attributable to higher stock-based compensation charges and resource property investigation costs and write-offs, which were partially offset by decreased professional fees (accounting, legal and audit) and higher interest income.

SELECTED ANNUAL INFORMATION

The following table contains selected financial data for the previous three years ending October 31, 2006. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	October 31, 2006	October 31, 2005	October 31, 2004
Total revenues	38,563	4,888	7,385
Loss before discontinued operations and extraordinary items	(704,211)	(404,347)	(601,035)
As above, per-share	(0.02)	(0.01)	(0.02)
As above, per-share, Fully diluted	(0.02)	(0.01)	(0.02)
Net Income (loss)	(521,934)	(52,149)	(1,479,101)
Net Income (loss) per share, Basic and diluted	(0.01)	(0.00)	(0.06)
Total Assets	8,203,082	5,261,053	3,906,605
Long-term financial Liabilities	nil	nil	nil
Cash dividends/share	nil	nil	nil

Revenues fluctuate annually based on the amount of interest income earned from the unspent proceeds of equity financings. Loss before discontinued operations and extraordinary items in 2005 and 2006 fluctuates mainly due to variations in stock options granted and the resulting measurements of stock-based compensation (2005- \$153,643, 2006- \$484,956), which are included in expenses. Excluding stock-based compensation, losses increased only \$2,226 in 2006 compared to 2005. Contributing factors were decreased professional fees and amortization, offset by higher property investigation costs, foreign exchange losses, bank charges and office printing and travel costs. Total assets have grown annually due to capitalization of exploration expenditures in excess of property write-offs.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with October 31, 2006. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	Quarter Ended Oct 31 2006	Quarter Ended July 31 2006	Quarter Ended April 30 2006	Quarter Ended Jan 31 2006
Interest Income	15,850	19,929	893	1,891
Income (loss) for the period	(207,407)	(63,482)	(386,524)	135,479
General and administrative	(42,323)	(83,631)	(74,701)	(57,163)
Stock-based compensation	(179,656)	-	(305,300)	-
Write-off of resource property	(1,278)	(889)	(7,416)	(16,166)
Net Earnings (Loss) per share, basic and diluted	(\$0.01)	(\$0.00)	(\$0.00)	\$0.00

	Quarter Ended Oct 31 2005	Quarter Ended July 31 2005	Quarter Ended April 30 2005	Quarter Ended Jan 31 2005
Interest income	2,184	870	1,021	813
Income (loss) for the period	119,514	(72,676)	(61,972)	(37,015)
General and administrative	(59,880)	(64,712)	(95,238)	(35,762)
Stock-based compensation	-	-	(153,643)	-
Recovery (write-off) of resource property	90,929	(15,185)	10,646	(1,253)
Net income (loss) per share basic and diluted	0.00	(0.00)	(0.00)	(\$0.00)

LIQUIDITY

During the year ended October 31, 2006, the Company received \$3,147,249 (before share issue costs) from the following,

- \$60,000 from the exercise of 600,000 stock options,
- \$2,735,749 from a private placement of 2,568,332 flow-through common shares priced at \$0.45 per share and 3,950,000 Units priced at \$0.40 per unit. Each Unit consists of one

common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the Company at \$0.55, expiring September 30, 2007.

- \$151,500 from the exercise of 505,000 warrants exercisable at \$0.30
- \$200,000 from the exercise of 500,000 warrants exercisable at \$0.40

The Company's working capital at October 31, 2006 was \$1,426,118, compared to working capital of \$933,341 at October 31, 2005. Current liabilities were \$198,098, consisting of accounts payable incurred in the normal course of the mineral exploration business.

At October 31, 2006, there were 3,950,000 share purchase warrants exercisable at \$0.55 outstanding. Subsequent to the end of the year, the Company issued 2,300,000 warrants exercisable at \$0.80 as part of a private placement of 4,600,001 units consisting of one common share plus one half of a common share purchase warrant, for gross proceeds of \$2,530,000. In December 2006, the Company issued 1,203,164 flow-through common shares, for gross proceeds of \$902,373. At the date of this report, there are 6,250,000 common share purchase warrants outstanding, which if exercised, would generate proceeds to the Company of \$4,012,500. There are also currently 4,290,000 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$2,251,550.

Bitterroot has sufficient cash reserves to fund its operating expenses in 2007, plus this year's exploration programs on the Mineral Creek, GK, North Brenda, Big Southeaster, and SPN projects in British Columbia, as required under the terms of their respective option agreements. In Michigan, most of the exploration work currently planned in 2007 will be funded by Cameco Corporation. Cameco must incur expenditures of \$500,000 on the Michigan uranium option prior to August 31, 2007. As of the date of this report, Cameco has spent approximately 80 percent of the required amount. It is currently unknown whether Cameco will continue to fund uranium exploration in Michigan beyond August 31, 2007, as this will be determined following receipt of exploration results from the recently completed drilling program in Michigan. Bitterroot's current cash balance is sufficient to fund this project if Cameco declines to maintain its option on Bitterroot's Michigan uranium targets. In the longer term, Bitterroot's ability to meet its ongoing obligations will be determined by management's success in acquiring mineral properties, obtaining equity financing, negotiating joint venture arrangements and facilitating the exercise of outstanding share purchase warrants and options. Despite current favourable markets for junior resource issuers due to strong commodity prices, there can be no assurance that the Company will be able to continue to raise funds, in which case it may be unable to meet its obligations. Should Bitterroot be unable to realize its assets and discharge its liabilities in the normal course of business, the realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions and balances for the year ended October 31, 2006.

- The Company incurred management fees of \$72,000 with a company controlled by the President of the Company.

- The Company had accounts payable of \$19,382 due to a company controlled by the President the Company.
- Stock-based compensation includes stock options granted to directors recorded at a value of \$484,956 (2005 – \$153,643).

FOURTH QUARTER

During the fourth quarter, the Company's financial condition was not materially affected by extraordinary items or year-end adjustments. No funds were raised and funds were consumed in the normal course of managing and executing mineral exploration programs. Cash balances decreased by \$1,028,771 as active exploration programs were occurring simultaneously on the Mineral Creek, North Brenda and GK projects. The carrying value of the Company's resource properties increased by \$960,867 during the quarter and shares outstanding was unchanged. The Company wrote off \$1,278 of resource property expenditures on the Mistassini project during the quarter.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Outstanding Share Data

- Authorized Capital:
100,000,000 common shares without par value
- Number and Recorded Value for shares Issued and Outstanding as at October 31, 2006, 42,071,343 common shares, with a recorded value of \$11,824,852.
As of the date of this report there are 48,024,508 common shares outstanding.
- Options outstanding at October 31, 2006

Number of Shares	Exercise Price	Expiry Date
100,000	0.10	February 5, 2007
115,000	0.10	September 9, 2007
270,000	0.15	September 20, 2008
480,000	0.61	January 29, 2009
670,000	0.53	May 24, 2009
180,000	0.53	July 5, 2009
500,000	0.39	March 17, 2010
1,125,000	0.53	April 4, 2011

d) Warrants outstanding at October 31, 2006

Number of Shares	Exercise Price	Expiry Date
3,950,000	0.55	September 30, 2007

Stock-based Compensation

The weighted average grant-date value of options granted during the year ended October 31, 2006 was \$0.46 per option (2005- \$0.31). Total compensation expense recognised for stock options granted during the year was \$512,277 (2005- \$153,643). Stock-based compensation of \$484,956 (2005- \$153,643) was expensed to operations for options granted to the Company's Directors and \$27,321 (2005- \$Nil) was capitalized to resource properties for options granted to consultants. The Company also recorded a share issuance cost of \$132,512 (2005- Nil) for broker options issued as part of the Agent's compensation paid on the \$2,735,749 financing completed in quarter ended April 30, 2006. These amounts represent the value of options granted using the Black-Scholes option-pricing model, which includes management's estimates of volatility and expected life.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information. Our auditors have not reviewed the contents of this MD&A.

Additional information on the Company can be found on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This document contains statements about expected or anticipated future events and financial results that are forward-looking in nature and as a result, are subject to certain risks and uncertainties, such as general economic, market and business conditions, regulatory processes and actions, technical issues, new legislation, competitive conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and the company's ability to execute and implement its future plans. Actual results may differ materially from those projected by management. For such statements, we claim the safe harbour for forward-looking statements within the meaning of the Private Securities Legislation Reform Act of 1995. The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this document.