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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2007 AND 2006**

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MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

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## AUDITORS' REPORT

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To the Shareholders of  
Bitterroot Resources Ltd.

We have audited the consolidated balance sheets of Bitterroot Resources Ltd. as at October 31, 2007 and 2006 and the consolidated statements of operations 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, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Manning Elliott LLP*

Chartered Accountants

Vancouver, British Columbia

February 14, 2008

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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**

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<b>OCTOBER 31</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,094,703	1,403,712
Accounts receivable - other	335,826	215,868
Prepaid expenses	2,656	4,636
	<hr/>	<hr/>
	3,433,185	1,624,216
<b>Reclamation Deposit</b>	13,300	9,300
<b>Resource Properties</b> (Note 4)	10,520,700	6,556,517
<b>Equipment</b> (Note 5)	18,954	13,049
	<hr/>	<hr/>
	13,986,139	8,203,082
<hr/>		
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	307,802	198,098
<b>Future Income Taxes</b> (Note 11)	393,165	-
	<hr/>	<hr/>
	700,967	198,098
 <b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 6)	17,107,923	11,824,852
<b>Contributed Surplus</b> (Note 7)	2,236,730	1,579,357
<b>Deficit</b>	(6,059,481)	(5,399,225)
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	13,285,172	8,004,984
	<hr/>	<hr/>
	13,986,139	8,203,082
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**APPROVED BY THE DIRECTORS**

*(Signed) Michael S. Carr*  

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**Michael S. Carr, Director**

*(Signed) George W. Sanders*  

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**George W. Sanders, Director**

**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

<b>YEARS ENDED OCTOBER 31</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Amortization	5,074	5,573
Foreign exchange loss	39,927	2,965
Interest and bank charges	3,391	2,855
Management fees	96,000	72,000
Office and printing	112,191	53,467
Professional fees	102,460	54,161
Property investigation	7,264	34,803
Regulatory fees	10,862	9,874
Shareholder information	23,692	12,336
Stock-based compensation (Note 8)	621,169	484,956
Transfer agent fees	18,013	9,784
<b>Loss Before Other Items And Income Taxes</b>	<b>(1,040,043)</b>	<b>(742,774)</b>
<b>Other Items</b>		
Interest income	125,461	38,563
Write-off of resource properties	(54,740)	(25,749)
Recovery of reclamation deposit written-off	-	1,109
Write-off of reclamation deposit	-	(5,804)
	70,721	8,119
<b>Loss Before Income Taxes</b>	<b>(969,322)</b>	<b>(734,655)</b>
Future income tax recovery (Note 11)	309,066	212,721
<b>Net Loss For The Year</b>	<b>(660,256)</b>	<b>(521,934)</b>
Deficit, beginning of year	(5,399,225)	(4,877,291)
<b>Deficit, End Of Year</b>	<b>(6,059,481)</b>	<b>(5,399,225)</b>
<b>Basic And Diluted Loss Per Share</b>	<b>(0.01)</b>	<b>(0.01)</b>
<b>Weighted Average Number Of Shares Outstanding</b>	<b>48,910,569</b>	<b>38,660,286</b>

# BITTERROOT RESOURCES LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED OCTOBER 31	2007	2006
	\$	\$
<b>Operating Activities</b>		
Net loss for the year	(660,256)	(521,934)
Items not involving cash:		
Amortization	5,074	5,573
Write-off of resource properties	54,740	25,749
Future income tax recovery	(309,066)	(212,721)
Stock-based compensation	621,169	484,956
Write-off of reclamation deposit	-	5,804
	<u>(288,339)</u>	<u>(212,573)</u>
Changes in non-cash working capital:		
Accounts receivable - other	(119,958)	(139,920)
Prepaid expenses	1,980	(1,001)
Accounts payable and accrued liabilities	109,704	131,408
	<u>(8,274)</u>	<u>(9,513)</u>
	<u>(296,613)</u>	<u>(222,086)</u>
<b>Financing Activity</b>		
Share issuances, net of share issue costs	5,682,829	2,928,998
<b>Investing Activities</b>		
Increase in reclamation deposits	(4,000)	(9,300)
Purchase of equipment	(10,979)	-
Resource property expenditures, net of recoveries	<u>(3,680,246)</u>	<u>(2,214,348)</u>
	<u>(3,695,225)</u>	<u>(2,223,648)</u>
<b>Increase During The Year</b>	1,690,991	483,264
Cash and cash equivalents, beginning of year	<u>1,403,712</u>	<u>920,448</u>
<b>Cash And Cash Equivalents, End Of Year</b>	<u>3,094,703</u>	<u>1,403,712</u>

### Supplemental disclosure with respect to cash flows

	2007	2006
	\$	\$
Cash paid during the year for interest	-	-
Cash paid during the year for income taxes	-	-

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2007 AND 2006**

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**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, 2007, 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 \$660,256 for the year ended October 31, 2007 (2006 - \$521,934), and had a deficit of \$6,059,481 at October 31, 2007 (2006 - \$5,399,225) 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. Adoption of New Accounting Standards**

On November 1, 2006, the Company adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

*Financial Instruments - Recognition and Measurement (CICA Handbook Section 3855)*

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale assets are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations.

The Company has classified its bankers acceptances as held to maturity and accordingly carries these at amortized cost. Adoption of this policy had no material effect on the Company's previous financial statements.

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**2. Adoption of New Accounting Standards** (*Cont'd*)

*Comprehensive Income (CICA Handbook Section 1530)*

Comprehensive income is the change in equity of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. This new standard requires the Company to disclose in its financial statements the net loss for the period as well as each component of other comprehensive income, classified by nature. For the year ended October 31, 2007, there was no other comprehensive income.

*Hedges (CICA Handbook Section 3865)*

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The company has not designated any hedging relationships.

**3. 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.

(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.

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**3. Significant Accounting Policies** *(Cont'd)*

(c) Resource Properties *(Cont'd)*

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%
Furniture and fixtures	-	20%
Leasehold improvements	-	20%
Field equipment	-	30%

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 amortization which is translated at rates in effect when the related assets were acquired. All exchange gains and losses are recognized currently in earnings.

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**3. Significant Accounting Policies** (Cont'd)

(f) Earnings (Loss) Per Share

The Company uses the treasury stock method in computing earnings (loss) per share. Under this method, basic earnings (loss) per share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the year.

For years ended October 31, 2007 and 2006, the existence of warrants and options affect the calculation of loss per share on a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

(g) Stock-Based Compensation Plan

The Company has a stock-based compensation plan which is described in Note 8.

The Company follows the CICA's Handbook Section 3870 "*Stock-Based Compensation and Other Stock-Based Payments*", which establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

Stock options are recorded at their fair value on the date of grant over their vesting period as compensation cost. Broker options and broker warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs with a corresponding credit to contributed surplus. On the exercise of stock options, broker options and broker warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

(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 apply when temporary differences are 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.

(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.

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Significant Accounting Policies** *(Cont'd)*

(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. For the years ended October 31, 2007 and 2006 the Company did not identify any asset retirement obligations.

(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.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2007 AND 2006**  
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**4. Resource Properties**

	GK Property B.C., Canada	Mineral Creek Property B.C., Canada	Spences Bridge Project, B.C., Canada	North Brenda Property B.C., Canada	SPN Property B.C., Canada	Big Southeaster Property B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance - October 31, 2005</b>	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
<b>Balance - October 31, 2006</b>	1,160,279	2,091,699	30,251	476,863	-	41,752	2,755,673	6,556,517
Deferred Costs During The Year								
Acquisition costs	30,000	71,000	-	33,500	40,000	29,500	-	204,000
Aircraft charter	-	-	-	45,917	-	-	-	45,917
Claims, leases and permits	5,388	6,125	3,600	3,956	4,005	2,904	81,635	107,613
Consulting and professional	231,346	110,947	18,356	156,449	67,714	135,418	93,138	813,368
Drilling	393,508	41,335	-	666,497	-	1,020,052	191,690	2,313,082
Field supplies	14,392	12,854	224	6,662	5,859	1,083	7,514	48,588
Fuel	12,071	1,670	429	2,288	1,591	14,628	25	32,702
Geochemistry	167,370	11,976	1,001	59,676	57,725	45,596	22,655	365,999
Geophysics	55,795	-	-	5,000	24,823	-	22,755	108,373
Ground transportation	16,466	6,453	701	20,745	5,764	19,677	18,387	88,193
Other	12,874	13,419	2,496	6,992	2,927	2,990	8,945	50,643
Recovery of costs	-	-	-	-	-	-	(483,947)	(483,947)
Room and board	21,036	9,670	2,271	14,716	10,192	36,419	7,943	102,247
Stock-based compensation	36,410	36,378	-	27,647	-	45,140	29,102	174,677
Travel and freight	4,868	321	18	2,604	1,695	4,521	12,698	26,725
Trenching	25,350	-	-	-	-	-	-	25,350
	1,026,874	322,148	29,096	1,052,649	222,295	1,357,928	12,540	4,023,530
	2,187,153	2,413,847	59,347	1,529,512	222,295	1,399,680	2,768,213	10,580,047
Write off of resource properties	-	-	(59,347)	-	-	-	-	(59,347)
<b>Balance - October 31, 2007</b>	2,187,153	2,413,847	-	1,529,512	222,295	1,399,680	2,768,213	10,520,700

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**BITTERROOT RESOURCES LTD.**  
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**4. 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 ("Cameco") whereby the Company granted to Cameco the option to acquire a 65% interest in certain Michigan mineral rights. During the year ended October 31, 2007, Cameco notified Bitterroot that it will retain the right to earn a 65 percent interest in Bitterroot's mineral rights within a 56 square-mile area of interest and has relinquished its right to acquire a 65 percent interest within an adjacent 563 square-mile area. The area retained has been the focus of Cameco's exploration expenditures for the past few years. To earn this interest Cameco has incurred \$600,000 of exploration expenditures and must incur an additional \$500,000 of exploration expenditures within this area prior to June 30, 2008. The Company will receive inflation adjusted payments of \$60,000 (received) per year until the option is exercised. Cameco and Bitterroot also jointly retain the right to acquire 50 percent of each other's interest in an adjoining 184 square-mile area of interest by refunding 100 percent of any land acquisition costs incurred.

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

(ii) State Leases

At October 31, 2007, the Company held leases covering approximately 8,734 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from 2% to 10.5%, or to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis. In order to maintain the leases in good standing, the Company must make aggregate rental payments of \$259,117 through February 28, 2014. Minimum rental payments due in the next five years are as follows:

	\$
2008	29,764
2009	29,964
2010	30,164
2011	24,604
2012	48,007

During the year ended October 31, 2007, the Company incurred exploration expenditures of \$496,487 relating to the Michigan properties and received and/or accrued recoveries of \$483,947.

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**BITTERROOT RESOURCES LTD.**  
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**4. 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 by June 15, 2006 (paid), \$30,000 by June 15, 2007 (paid) and \$25,000 by June 15, 2008.

During the year ended October 31, 2007, the Company incurred acquisition and exploration expenditures of \$1,026,874 relating to the GK property.

(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. During the year, the Company earned a 55% interest in the property by completing exploration expenditures of \$1,200,000, issuing 450,000 common shares and making cash payments totaling \$160,000 within a three-year period. 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 owns a 75% interest in four adjoining mineral claims.

During the year ended October 31, 2007, the Company incurred acquisition and exploration expenditures of \$322,148 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, 2007, the Company incurred exploration expenditures of \$29,096 relating to the Spences Bridge project. At October 31, 2007, management of the company determined that the majority of the claims were not economically viable. Consequently, all project costs were written off.

(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 paid \$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 completed \$50,000 of exploration expenditures and issued an additional 50,000 common shares to the vendors at a fair value of \$33,500. 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, 2007, the Company incurred acquisition and exploration expenditures of \$1,052,649 relating to the North Brenda property.

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**4. Resource Properties** *(Cont'd)*

(f) SPN Property, B.C., Canada

On December 29, 2006, the Company entered into an agreement to acquire a 100% interest in the SPN claims, which are located approximately 20 kilometres southeast of Barriere, B.C. In order to earn a 100% interest, the Company paid \$10,000 and issued 50,000 common shares at a value of \$30,000. 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 return royalty, of which the Company can purchase half by paying \$1,000,000.

During the year ended October 31, 2007, the Company incurred acquisition and exploration expenditures of \$222,295 relating to the SPN property.

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

On June 1, 2006, the Company entered into an agreement to acquire a 100% interest in the Big Southeaster 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. Prior to the first anniversary, the Company issued 50,000 shares at a value of \$29,500. Prior to the second anniversary, the Company is required to issue an additional 50,000 common shares and complete \$50,000 of exploration expenditures. 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 return royalty, of which the Company can purchase half by paying \$1,000,000.

During the year ended October 31, 2007, the Company incurred acquisition and exploration expenditures of \$1,357,928 relating to the Big Southeaster property.

**5. Equipment**

	2007		2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	9,396	7,543	1,853	1,133
Furniture and fixtures	8,350	1,193	7,157	795
Leasehold improvements	5,655	5,290	365	455
Field equipment	28,095	18,516	9,579	10,666
	51,496	32,542	18,954	13,049

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**6. 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 \$
<b>Balance - October 31, 2005</b>	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)
<b>Balance - October 31, 2006</b>	42,071,343	11,824,852
Issued for cash		
Exercise of stock options	245,000	59,459
Pursuant to private placements	9,970,512	5,733,598
Exercise of broker options	391,100	288,951
Resource property option payments	250,000	164,000
Share issue costs	-	(239,706)
Share subscriptions receivable	-	(21,000)
Future income taxes on expenditures renounced to shareholders	-	(702,231)
<b>Balance - October 31, 2007</b>	52,927,955	17,107,923

During the year ended October 31, 2007, the Company issued common shares pursuant to the following:

- (i) On November 17, 2006, the Company issued 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. Each full warrant entitles the holder to acquire an additional common share of the Company at \$0.80, expiring November 17, 2008. A finder's fee of \$20,000 was paid in conjunction with the private placement.
- (ii) On December 20, 2006, the Company issued 1,203,164 flow-through common shares priced at \$0.75 per share. Finder's fees of \$23,750 were paid in conjunction with the private placement.
- (iii) On June 7, 2007, the Company issued 2,106,633 flow-through common shares priced at \$0.75 per share. Finder's fees of \$92,998 plus 123,998 non-transferable broker warrants to purchase one common share at \$0.75, expiring June 7, 2008 were paid in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes model was \$21,748, and was recorded as a share issuance cost.

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

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

- (iv) On October 25, 2007, the Company issued 2,060,714 units priced at \$0.35 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional share of the company at a \$0.50, expiring October 5, 2009. The Company received \$700,250 from the proceeds of the private placement. The remaining \$21,000 was received subsequent to year end.

During the year ended October 31, 2006, the Company issued common shares pursuant to the following private placement:

The Company issued 2,563,332 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.

The following weighted average assumptions were used for the Black-Scholes valuation of broker warrants (2006 – broker options):

	<b>2007</b>	<b>2006</b>
Volatility	75%	61%
Risk-free interest rate	4.67%	4.25%
Dividend yield	-	-
Expected life	1 year	1.5 years

**Flow through shares** - Of the shares issued during fiscal 2007, 3,309,797 were issued on a flow through basis whereby the Company must spend \$2,482,332 on Canadian exploration expenditures ("CEE") and renounce these expenditures to shareholders over two years.

Of the shares issued during fiscal 2006, 2,563,332 were issued on a flow through basis whereby the Company was required to spend \$1,153,499 on CEE and renounce these expenditures to the shareholders over two years. All required expenditures and renunciations were made during fiscal 2007.

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

(c) Warrants

Warrant transactions are summarized as follows:

	<b>Number Of Warrants</b>
<b>Balance - October 31, 2006</b>	3,950,000
Issued on private placement	4,360,714
Issued upon the exercise of broker option	391,100
Broker warrants	123,998
Expired	<u>(4,341,100)</u>
<b>Balance - October 31, 2007</b>	<b>4,484,712</b>

The following share purchase warrants (convertible to an equivalent number of common shares) were outstanding at October 31, 2007:

<b>Number Of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	\$	
123,998	0.75	June 7, 2008
2,300,000	0.80	November 17, 2008
2,060,714	0.50	October 5, 2009

**7. Contributed Surplus**

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

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Balance, Beginning Of Year</b>	1,579,357	934,568
Stock-based compensation (Note 8)	817,594	644,789
Stock and broker options exercised	<u>(160,221)</u>	-
<b>Balance, End Of Year</b>	<b>2,236,730</b>	<b>1,579,357</b>

**8. 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.

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

Pursuant to the option plan, options granted in respect of investor relations activities are subject to vesting restrictions such that one-quarter of the options vest three months from the date of grant and in each subsequent three-month period thereafter such that the entire option will have vested twelve months after the award date. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

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

	Number Of Options	Weighted Average Exercise Price \$
<b>Balance - October 31, 2005</b>	2,915,000	0.36
Options granted	1,125,000	0.53
Options exercised	(600,000)	(0.10)
<b>Balance - October 31, 2006</b>	3,440,000	0.46
Options granted	1,635,000	0.59
Options exercised	(245,000)	(0.13)
Options expired	(115,000)	(0.10)
<b>Balance - October 31, 2007</b>	4,715,000	0.53

The following stock options were outstanding and exercisable at October 31, 2007:

Number Of Options	Exercise Price \$	Expiry Date
125,000	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
950,000	0.70	January 11, 2012
100,000	0.99	April 14, 2012
585,000	0.35	September 14, 2012

The weighted average contractual life remaining on the above stock options is 3.05 years. The weighted average grant-date fair value of options granted during the year ended October 31, 2007 was \$0.49 per option (2006 - \$0.46 per option).

Total compensation expense recognized for stock options granted during the year was \$795,846 (2006 - \$512,277). Stock-based compensation of \$174,677 (2006 - \$27,321) was capitalized to resource properties for options granted and \$621,169 (2006 - \$484,956) was expensed to operations for options granted to directors and employees of the Company. The Company also recorded a share issuance cost of \$21,748 (2006 - \$Nil) in respect of broker warrants issued and a share issuance cost of \$Nil (2006 - \$132,512) in respect of broker options issued, as described in Note 6(b).

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**8. 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:

	2007	2006
Volatility	118%	127%
Risk-free interest rate	4.12%	4.22%
Dividend yield	-	-
Expected life of options	5 years	5 years

**9. Non-Cash Transactions**

During the year ended October 31, 2007, the Company issued 250,000 shares in respect of option payments for resource properties, with a fair value of \$164,000. Additionally, the Company incurred as share issuance cost 123,998 warrants with a fair value of \$21,748.

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 for options to purchase 391,100 units, with a fair value of \$132,512.

**10. Related Party Transactions**

The following is a summary of related party transactions and balances for the year ended October 31, 2007 and 2006, not disclosed elsewhere in the financial statements:

- (a) Management fees of \$96,000 (2006 - \$72,000) were incurred from a company controlled by a director in common. 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, 2007 includes \$Nil (2006 - \$19,382) due to a company controlled by a director in common.
- (c) Stock-based compensation includes stock options granted to directors recorded at a fair value of \$543,295 (2006 - \$484,956).

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**11. Income Taxes**

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

	<b>2007</b>	<b>2006</b>
Canadian statutory income tax rate	34.12%	34.12%
	<b>\$</b>	<b>\$</b>
Income tax recovery at statutory rate	330,733	250,664
Non-deductible items and timing differences for tax purposes:		
Stock-based compensation expense	(211,943)	(165,467)
Write-off of resource properties and reclamation deposit	(18,677)	(10,387)
Prescribed resource loss	-	(7,746)
Share issuance costs	43,033	28,037
Reduction in valuation allowance	165,920	117,620
<b>Income Tax Recoverable</b>	<b>309,066</b>	<b>212,721</b>

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at October 31, 2007 and 2006 are presented below:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Net operating loss carry-forwards	488,640	385,920
Capital loss carry-forwards	41,869	41,869
Resource properties	(1,053,417)	(320,992)
Equipment	11,242	9,510
Share issuance costs	118,501	87,045
Total future income tax asset (liability)	(393,165)	203,352
Valuation allowance	-	(203,352)
Net future income tax liability	(393,165)	-

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**11. Income Taxes** *(Cont'd)*

The Company has approximately \$1,432,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2008	106,000
2009	104,000
2010	114,000
2014	179,000
2015	242,000
2026	273,000
2027	414,000
	1,432,000

The Company also has certain allowances in respect of resource development and exploration costs of \$4,665,099 which, subject to certain restrictions, are available to be offset against future taxable income.

**12. 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:

	2007	2006
	\$	\$
Canada	7,771,441	3,813,893
U.S.A.	2,768,213	2,755,673
	10,539,654	6,569,566

**13. Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable - other, reclamation deposit, and accounts payable. 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 due to their short term maturities, unless otherwise noted.

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**14. Commitments**

The Company is required to make certain cash payments and to issue shares to maintain its resource properties, as described in Note 4(a)(ii), 4(b), 4(c), 4(e), 4(f) and 4(g).

**15. Subsequent Events**

- a) The Company entered into an agreement to acquire a 21-hectare mineral claim within the Big Southeaster property. Pursuant to the agreement the Company has paid \$25,000 and issued 50,000 shares in return for a 100% interest in the claim.
- b) The Company issued 50,000 shares to the vendor of the SPN property as per the terms of the option agreement.
- c) The Company granted incentive stock options to acquire 350,000 common shares at \$0.36 per share expiring February 7, 2013.

**16. 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, 2007

As of February 22, 2008

### **SUMMARY OF ACTIVITIES**

In the year ended October 31, 2007, the majority of Bitterroot Resources Ltd.'s Canadian exploration expenditures were on drilling and associated costs on the Big Southeaster, North Brenda and GK projects, plus geological, geochemical and geophysical surveys on the Mineral Creek and SPN projects, all of which are in British Columbia. In Michigan, the majority of exploration expenditures were for drilling, geological consulting and minerals lease cost on lands included in the Cameco uranium joint venture. Total exploration expenditures in the year, excluding recoveries and acquisition costs were \$4,303,477. Share issuances and funding from Cameco Corporation contributed \$6,460,555 to Bitterroot's working capital during the financial year, while expenses (net of stock-based compensation) were \$418,874.

### **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. On Vancouver Island, BC, the Company currently owns a 55 percent interest, and is in the process of earning a 75 percent interest in the Mineral Creek gold property near Port Alberni, BC. Bitterroot is also earning a 100 percent interest in the adjoining Big Southeaster gold/base metals project. In southern BC, the Company continued exploration of the GK gold project, the North Brenda copper/molybdenum/gold project, the Spences Bridge gold project and the SPN copper/silver project. Bitterroot is currently earning 100 percent interests in the GK, SPN 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 earning a 65% interest in a 56 square-mile area of interest. The Company also currently holds leases over 8,700 acres of State-owned mineral rights, the majority of which are subject to the Cameco option.

During the year ended October 31, 2007, commodity prices remained relatively strong, thereby providing Bitterroot with access to capital for mineral exploration programs and working capital. 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 (southern BC and Vancouver Island) and the United States of America (Upper Peninsula of Michigan).

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, 2007 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2006.

## **OVERALL PERFORMANCE**

### **Results of Operations**

Detailed exploration results are available on [www.sedar.com](http://www.sedar.com) or on the Company's website ([www.bitterrootresources.com](http://www.bitterrootresources.com)).

#### **Michigan Uranium Joint Venture**

During the year ended October 31, 2007, Bitterroot, on behalf of its funding-partner Cameco Corporation ("Cameco"), conducted a seven-hole, 1,322-metre drilling program which successfully tested five unconformity-hosted uranium targets in Michigan's Jacobsville Basin. The Proterozoic unconformity was intersected in all holes and graphitic basement conductors were intersected in four of the five target areas. The highest grade mineralized zone returned a 0.6 metre interval in drill hole D9-06-01 which contains 75 ppm U, including two 0.12 metre intervals which contained over 100 ppm U. These intervals are considered to be significant as they confirm that uranium-bearing fluids have been active in the Jacobsville sandstone.

On February 14, 2008, the USDA Forest Service approved Bitterroot's planned follow-up exploration program in a "Decision Notice & Finding of No Significant Impact". The 2008 exploration program, consisting of geophysical surveys and core drilling is currently expected to start in mid-2008.

Cameco has notified Bitterroot that it will retain the right to earn a 65 percent interest in Bitterroot's mineral rights within a 56 square-mile area of interest. This area has been the focus of Cameco's exploration expenditures for the past few years. Cameco must incur \$500,000 of exploration expenditures within this area prior to June 30, 2008 to earn a 65 percent interest. This deadline is in the process of being extended due to unexpected permitting delays which postponed the 2008 winter drilling program. Cameco and Bitterroot also jointly retain the right to acquire 50 percent of each other's interests in an adjoining 184 square-mile area of interest by refunding 100 percent of any land acquisition costs incurred. Cameco has relinquished its right to acquire a 65 percent interest in Bitterroot's mineral rights within an adjacent 563 square-mile area.

In the year ended October 31, 2007, Bitterroot spent \$467,385 on its Michigan projects, net of stock-based compensation, mainly on drilling, minerals leases and geological consulting. Mr. Jan Klein, P.Eng, P.Geo is the Qualified Person responsible for the design, execution and interpretation of the Company's geophysical surveys. Ms. Georgina Price, P.Geo was the Qualified Person responsible for overseeing the logging and sampling of core samples. Analyses were done at Saskatchewan Research Council in Saskatoon, Saskatchewan by ICP-MS (total digestion and partial digestion).

#### **Mineral Creek Gold Project, British Columbia**

In July 2007, the Company's joint venture partner Mineral Creek Ventures Inc. received a permit from the BC Ministry of Energy and Mines to extract up to a 5,000 tonne bulk sample from the

Linda Zone, using conventional mining methods. Mineral Creek Ventures Inc. has extracted approximately 200 tonnes of gold-mineralized vein from an adit driven on the Lower Linda vein (see Bitterroot news release dated February 6, 2008 for details). Results of the chip sampling have confirmed that the Lower Linda Vein hosts extremely high grades (ranging from 29.5 to 1,795 grams Au/tonne) of coarse native gold over mineable widths (0.60 to 1.60 metres). Previous core drilling has identified high grade gold mineralization in the Lower Linda vein along a strike length of 270 metres and 40 metres down-dip. The Lower Linda vein system presents a unique opportunity for Bitterroot and Mineral Creek Ventures to develop a low-capital cost, low-impact, high-grade gold mine. The Lower Linda vein is part of a series of gold-bearing veins which are present in the Linda area. There is excellent potential to expand the dimensions of the Lower Linda vein and define additional high-grade veins which have previously returned high gold grades in drill core.

Approximately 200 tonnes of mineralized vein material have been mined to date, plus approximately 500 tonnes of unstable near-surface waste material were removed to establish the portal. Bulk sampling costs incurred to date by Bitterroot and Mineral Creek Ventures are approximately C\$140,000. Bulk sampling activities have been temporarily suspended due to the onset of winter weather and are expected to resume in the spring of 2008. A test-milling gravity circuit is currently being designed and equipment is being sourced. On-site milling of material from the Lower Linda vein is currently planned to commence in mid-2008.

Mineral Creek Ventures Inc. has received all permits to allow extraction of a 5,000-tonne bulk sample from the Linda veins. Bitterroot and Mineral Creek will share the costs and proceeds from the first 2,500 tonnes mined on a 50/50 basis, with the costs and proceeds of the next 2,500 tonnes shared on a 55% Bitterroot/45% Mineral Creek basis. In addition, drilling of other structurally-controlled gold targets on the 60 square-kilometre Mineral Creek property is planned to resume in the spring of 2008. Mineral Creek Ventures is the operator of the bulk sampling program on the Mineral Creek property.

In the year ended October 31, 2007, Bitterroot spent \$285,770 on the Mineral Creek project, net of stock-based compensation, mainly on drilling, geological consulting and acquisition costs. Bitterroot is in the process of earning a 75 percent interest in the Mineral Creek property. Mr. P.E. Michael Becherer, P.Geo is the Qualified Person responsible for the design and implementation of exploration programs on the Mineral Creek project. Initial Analytical procedure was by Au-GRA21, 30g Fire Assay, with gravimetric finish. Check assay procedure was by Au-SCR21, 1,000g Screen Metallics Gold, Double Minus. Both assays were done by ALS Chemex in North Vancouver, BC.

### **Big Southeaster Gold/VMS Project, British Columbia**

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. Since December 2006, Bitterroot has drilled 40 holes totaling 11,286 metres on the Big Southeaster property. Of these, 22 holes (6,679 metres) tested targets associated with the gold-bearing Mineral Creek fault zone. Most of the assay results have been received, which have identified several hundred narrow quartz-carbonate vein, shear-breccia and

fault-hosted intervals containing highly anomalous gold values (+0.2 grams Au/Tonne). Data compilation is currently underway.

The remaining 18 holes (4,607 metres) drilled on the Big Southeaster property tested polymetallic copper/zinc/gold mineralization in the Regina area. Drilling encountered basaltic flows containing sporadic chalcopyrite, sphalerite and massive pyrite intersections, sometimes associated with quartz veining. Drilling has been temporarily suspended due to the onset of winter weather and is expected to resume in the summer of 2008. Core logging, sampling and assaying is expected to be completed in early 2008.

In the year ended October 31, 2007, Bitterroot spent \$1,312,788 on the Big Southeaster project, net of stock-based compensation, mainly on drilling and geological consulting. Mr. John Wilson, P. Geo is the Qualified Person responsible for the design and implementation of exploration programs on the Big Southeaster project. Analyses are being done at Acme Analytical Laboratories Ltd. in Vancouver, BC, by ICP-MS and fire assay/ICP-ES.

### **GK Gold/Silver Project, British Columbia**

During the year ended October 31, 2007, Bitterroot's consultants continued to explore the GK property with geological, geophysical (IP and magnetics) and soil geochemical surveys, plus over 2,200 metres of surface trenching and sampling. Subsequent to the year end, in November and December 2007, Bitterroot's drilling contractor completed 3,428 metres of drilling in 17 holes. The Blue Jay zone was tested with 2,682 metres of drilling in 13 holes, while the Hornet zone was tested with 746 metres in four holes.

Drilling on the Blue Jay zone intersected sulphide mineralization in all 13 drill holes completed. Mineralization consists of sulphide-enriched vein-breccias and stockworks containing pyrite, arsenopyrite, quartz and carbonate, with subordinate tourmaline and chalcopyrite. Earlier in the year, trenching of the Blue Jay zone returned values of up to 6.75 grams Au/tonne over 9 metres within similar sulphide-mineralized rock (see BTT news release dated October 31, 2007). The Blue Jay Zone has been tested along a strike length of 250 meters and remains open along strike and down dip.

Drilling on the Hornet zone intersected sulphide mineralization in all four holes drilled. The mineralization at Hornet also consists of sulphide-enriched vein-breccias and stockworks containing pyrite, arsenopyrite, quartz and carbonate, with subordinate tourmaline and chalcopyrite. Trenching of the Hornet zone yielded values of up to 22.1 grams Au/tonne across 5.0 metres within similar sulphide-mineralized rock (see BTT news release dated November 12, 2007). Mineralization occurs in at least five sub-parallel, steeply dipping sulphide-bearing zones, the largest of which has a minimum strike length of 250 metres. All of these zones remain open along strike and down dip.

Core logging, sampling and assaying are underway and are expected to be completed in the second quarter of 2008. The scope of additional exploration programs will be determined following receipt of assay results from the drill holes completed in late 2007.

In the year ended October 31, 2007, Bitterroot spent \$990,464 on the GK Project, net of stock-based compensation, mainly on drilling, geological consulting and geophysical and geochemical surveys. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and implementation of exploration programs on the GK project. Analyses are done at ALS Chemex in North Vancouver, BC, by ICP-AES and fire assay/AA.

### **North Brenda Copper/Molybdenum/Gold Project, British Columbia**

In early 2007, Bitterroot completed an eleven-hole, 2,478-metre drilling program on the North Brenda property to test several zones of anomalous soil geochemistry. Results of this work confirmed the molybdenum/copper potential of the area immediately north of the formerly-producing Brenda Mine open pit (159 million tonnes grading 0.049% Mo and 0.183% Cu).

During October 2007, Bitterroot's drilling contractor completed an additional 1398 metres of drilling in five holes on the North Brenda property. The holes were drilled from two setups, testing a portion of the northern extension of the Brenda Mo/Cu mineralized trend, which is defined by highly anomalous Cu/Mo values in soil, Induced Polarization chargeability anomalies and mineralized outcrops. All five of the drill holes contain molybdenite/chalcopyrite-bearing veins and fracture-controlled mineralization with styles and orientations typical of mineralization previously documented in the Brenda deposit. Bitterroot's geological consultants interpret this part of the North Brenda property to be underlain by a northerly extension of the mineralizing system which generated the Brenda deposit. Farther north on the 100 percent-owned, 44 square-kilometre North Brenda property there are several other significant IP and geochemical targets which remain to be drill-tested. Core-logging and sampling of the five most recent drill holes was completed in February 2008, with assay results pending.

In the year ended October 31, 2007, Bitterroot spent \$1,025,002 on the North Brenda project, net of stock-based compensation, mainly on drilling and geological consulting. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and implementation of exploration programs on the North Brenda project. Analyses are being done at ALS Chemex in North Vancouver, BC, by ICP-AES and fire assay/AA.

### **SPN Copper/Gold Project, British Columbia**

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 anomalous multi-element stream silt geochemical anomalies. Bitterroot's 2007 exploration program included collection of 1,066 stream silt samples and 1,266 soil samples, plus prospecting. This work has identified an area hosting anomalous copper, silver and zinc in-soil, associated with bimodal volcanic and sedimentary rocks. Additional geological mapping, line cutting and geophysical surveys are planned in 2008.

In the year ended October 31, 2007, Bitterroot spent \$222,295 on the SPN project, net of stock-based compensation, mainly on geological consulting and geochemical surveys. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and execution of exploration

programs on the SPN project. Analyses were done at ALS Chemex in North Vancouver, BC, by ICP-AES.

### **Spences Bridge Gold Project, British Columbia**

Bitterroot owns a 100 percent interest in 23 claims covering 9,823 hectares, located in the Spences Bridge area in southwestern British Columbia, approximately seven kilometres from the Skoonka Creek gold discovery. The first phase of reconnaissance surface exploration on Bitterroot's claims was carried out in the spring of 2006, with additional follow-up prospecting and silt sampling work conducted in the summer of 2007.

In the year ended October 31, 2007, Bitterroot spent \$29,096 on the Spences Bridge Project, mainly on geochemical surveys and geological consulting. No additional work is currently planned for 2008 and total expenditures of \$59,347 have been written off. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the Spences Bridge project. Analyses were done at ALS Chemex in North Vancouver, BC, by ICP-AES.

### **Financial Condition**

At October 31, 2007, Bitterroot had working capital of \$2,732,218, which included accounts receivable of \$96,220 due from Cameco and \$219,679 due from GST refunds. Resource properties had a book value of \$10,520,700 compared to \$6,556,517 at the beginning of the financial year. For the year ended October 31, 2007, cash inflows exceeded cash outflows by \$1,690,991, which when combined with the \$1,403,712 cash balance at the beginning of the year, resulted in a year-end cash position of \$3,094,703. The cash inflows were a result of share issuances for net proceeds of \$5,682,829. Cash outflows were comprised principally of resource property expenditures of \$3,680,246 (net of recoveries from Cameco and stock-based compensation) and operating expenses of \$413,800 (net of stock-based compensation and amortization).

### **Summary of Financial Results**

During the year ended October 31, 2007, the Company had a net loss of \$660,256, compared to a net loss of \$521,934 in the prior year. The increased loss was mainly attributable to higher stock-based compensation charges, foreign exchange (US\$) losses, office costs, resource property write-offs and professional fees, which were partially offset by increased interest income.

## SELECTED ANNUAL INFORMATION

The following table contains selected financial data for the previous three years ending October 31, 2007. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	October 31, 2007	October 31, 2006	October 31, 2005
Total revenues	125,461	38,563	4,888
Loss before discontinued operations and extraordinary items	(914,582)	(704,211)	(404,347)
As above, per-share	(0.02)	(0.02)	(0.01)
As above, per-share, Fully diluted	(0.02)	(0.02)	(0.01)
Net Income (loss)	(660,256)	(521,934)	(52,149)
Net Income (loss) per share, Basic and diluted	(0.01)	(0.01)	(0.00)
Total Assets	13,986,139	8,203,082	5,261,053
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 2006 and 2007 fluctuates mainly due to variations in stock options granted and the resulting measurements of stock-based compensation (2006- \$484,956, 2007- \$621,169), which are included in expenses. Excluding stock-based compensation, losses increased \$161,056 in 2007 compared to 2006. Contributing factors were increased foreign exchange losses, management fees, office costs, professional fees and transfer agent/shareholder information costs, offset by lower property investigation 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, 2007. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	<b>Quarter Ended Oct 31, 2007</b>	<b>Quarter Ended July 31, 2007</b>	<b>Quarter Ended April 30 2007</b>	<b>Quarter Ended Jan 31 2007</b>
Interest Income	31,445	31,939	35,567	26,510
Income (loss) for the period	(665,779)	(88,593)	(169,722)	263,838
General and administrative	(100,908)	(119,603)	(129,906)	(68,457)
Stock-based compensation	(143,055)	-	(82,322)	(395,792)
Write-off of resource property	(52,533)	(929)	(634)	(644)
Net Earnings (Loss) per share <b>Basic and diluted</b>	<b>(0.01)</b>	<b>(0.00)</b>	<b>0.00</b>	<b>0.01</b>

	<b>Quarter Ended Oct 31 2006</b>	<b>Quarter Ended July 31 2006</b>	<b>Quarter Ended April 30 2006</b>	<b>Quarter Ended Jan 31 2006</b>
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)	-
Recovery (write-off) of resource property	(1,278)	(889)	(7,416)	(16,166)
Net income (loss) per share <b>basic and diluted</b>	<b>(\$0.01)</b>	<b>(0.00)</b>	<b>(\$0.00)</b>	<b>\$0.00</b>

## LIQUIDITY

During the year ended October 31, 2007, the Company received \$6,460,555 (before share issue costs) from the following,

- \$31,750 from the exercise of 245,000 stock options,
- \$902,373 from a private placement of 1,203,164 flow-through common shares priced at \$0.75 per share,
- \$2,530,001 from a 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. Each full warrant entitles the holder to acquire an additional common share of the Company at \$0.80, expiring November 17, 2008,
- \$211,260 from the exercise of a broker option,
- \$60,767 from an option payment by Cameco Corporation,
- \$1,579,974 from a private placement of 2,106,633 flow-through common shares priced at \$0.75 per share,
- \$423,180 from Cameco for recovery of exploration expenditures and management fees,

- \$721,250 from a private placement of 2,060,714 units priced at \$0.35 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 \$0.50, expiring February 25, 2008

The Company's working capital at October 31, 2007 was \$2,732,218, compared to working capital of \$1,426,118 at October 31, 2006. Current liabilities were \$307,802, consisting of accounts payable incurred in the normal course of the mineral exploration business.

At October 31, 2007, there were 4,484,712 share purchase warrants outstanding, which are exercisable at between \$0.50 and \$0.80. If exercised, these warrants would generate proceeds to the Company of \$2,963,355. There are also currently 4,715,000 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$2,522,050.

Bitterroot has sufficient cash reserves to fund its operating expenses in 2008, 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 2008 will be funded by Cameco Corporation. Cameco must incur expenditures of \$500,000 on the Michigan uranium option prior to June 30, 2008 to earn a 65 percent interest in the 56 square-mile area of interest. As of the date of this report, Cameco has spent approximately 70 percent of the required amount and has indicated that it is prepared to provide funding in excess of the amount required to earn its 65 percent interest. Bitterroot's current cash balance is sufficient to fund its 35 percent share of the project costs once Cameco has earned its 65 percent interest. Cameco and Bitterroot are currently in discussions to extend the June 30, 2008 expenditure deadline to a later date. This extension is justified due to permitting delays in Michigan which are beyond the control of both parties. 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, 2007.

- The Company incurred management fees of \$96,000 with a company controlled by the President of the Company.
- Stock-based compensation includes stock options granted to directors recorded at a value of \$543,295 (2006 – \$484,956).

## FOURTH QUARTER

During the fourth quarter, the Company's financial condition was not materially affected by extraordinary items or year-end adjustments. Bitterroot raised \$721,250 from a private placement of 2,060,714 units priced at \$0.35 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 \$0.50, expiring October 5, 2009. Options to purchase 585,000 common shares at \$0.35, expiring September 14, 2012 were granted to directors, an employee and several consultants. Funds were consumed in the normal course of managing and executing mineral exploration programs. Cash balances decreased by \$1,016,499 as exploration programs were occurring simultaneously on the Mineral Creek, North Brenda, SPN, Big Southeaster, Michigan and GK projects. The carrying value of the Company's resource properties increased by \$1,245,091 during the fourth quarter and shares outstanding increased by 2,205,714. The Company wrote off \$59,347 of resource property expenditures on the Spences Bridge project during the quarter.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

### Outstanding Share Data

- a) Authorized Capital:  
100,000,000 common shares without par value
- b) Number and Recorded Value for shares Issued and Outstanding as at October 31, 2007 was 52,927,955 common shares, with a recorded value of \$17,107,923.  
As of the date of this report there are 53,027,955 common shares outstanding.
- c) Options outstanding at October 31, 2007

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Number of Options	Exercise Price	Expiry Date
125,000	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
950,000	0.70	January 11, 2012
100,000	0.99	April 14, 2012
585,000	0.35	September 14, 2012

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- d) Warrants outstanding at October 31, 2007

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Number of Warrants	Exercise Price	Expiry Date
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	123,998	\$0.75	June 7, 2008
	2,300,000	\$0.80	November 17, 2008
	2,060,714	\$0.50	October 25, 2009

### **Stock-based Compensation**

Total compensation expense recognized for stock options granted during the year was \$795,846 (2006 - \$512,277). Stock-based compensation of \$174,677 (2006 - \$27,321) was capitalized to resource properties for options granted and \$621,169 (2006 - \$484,956) was expensed to operations for options granted to directors and employees of the Company. The Company also recorded a share issuance cost of \$21,748 (2006 - \$Nil) in respect of broker warrants issued and a share issuance cost of \$Nil (2006 - \$132,512) in respect of broker options issued.

### **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](http://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.**