
BITTERROOT RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2008
(Unaudited - Prepared by Management)

BITTERROOT RESOURCES LTD.
(UNAUDITED - PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-109 Part 4 Subsection 4.3(3) (a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The unaudited interim financial statements of the Company as at July 31, 2008, and for nine months ended July 31, 2008 and 2007, were prepared by, and are the responsibility of the Company's management.

The Company's independent auditor did not perform a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

BITTERROOT RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED - PREPARED BY MANAGEMENT)

	July 31 2008	October 31 2007
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	2,084,055	3,094,703
Accounts receivable - other	173,640	335,826
Prepaid expenses	664	2,656
	<hr/>	<hr/>
	2,258,359	3,433,185
Reclamation Deposit	15,800	13,300
Resource Properties (Note 3)	13,109,319	10,520,700
Equipment (Note 4)	15,253	18,954
	<hr/>	<hr/>
	15,398,731	13,986,139
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LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	192,102	307,802
Future Income Taxes (Note 9)	393,165	393,165
	<hr/>	<hr/>
	585,267	700,967
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SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	18,379,683	17,107,923
Contributed Surplus (Note 6)	2,491,312	2,236,730
Deficit	(6,057,531)	(6,059,481)
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	14,813,464	13,285,172
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	15,398,731	13,986,139
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The accompanying notes are an integral part of these financial statements.

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
(UNAUDITED - PREPARED BY MANAGEMENT)

	Three Month Period Ended July 31 2008	Three Month Period Ended July 31 2007	Nine Month Period Ended July 31 2008	Nine Month Period Ended July 31 2007
	\$	\$	\$	\$
Expenses				
Amortization	1,234	1,268	3,701	3,721
Exploration	45,597	6,507	61,115	6,507
Foreign exchange (gain) loss	(550)	12,897	(11,999)	12,151
Interest and bank charges	719	881	1,992	2,335
Management fees	24,000	24,000	72,000	72,000
Office, printing and travel	25,193	35,981	81,586	80,740
Professional fees	39,870	19,765	94,730	91,619
Regulatory fees	-	-	8,807	9,993
Shareholder information	2,859	7,922	13,911	23,422
Stock-based compensation (Note 7)	145,439	-	209,332	478,114
Transfer agent fees	1,525	10,382	13,207	15,478
Loss Before Other Items	(285,886)	(119,603)	(548,382)	(796,080)
Other Items				
Interest income	16,046	31,939	58,676	94,016
Write-off of resource property	(10,020)	(929)	(21,836)	(2,207)
Recovery of resource properties written-off	-	-	-	7,573
	6,026	31,010	36,840	99,382
Loss Before Income Taxes	(279,860)	(88,593)	(511,542)	(696,698)
Future income tax recovery	-	-	513,492	702,221
Net Earnings (Loss) For The Period	(279,860)	(88,593)	1,950	5,523
Deficit, beginning of period	(5,777,671)	(5,305,109)	(6,059,481)	(5,399,225)
Deficit, End Of Period	(6,057,531)	(5,393,702)	(6,057,531)	(5,393,702)
Basic And Diluted Earnings (Loss)				
Per Share	(0.00)	(0.00)	0.00	0.00
Weighted Average Number				
Of Shares Outstanding	58,249,575	49,725,191	55,623,407	48,064,820

The accompanying notes are an integral part of these financial statements.

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED - PREPARED BY MANAGEMENT)

	Three Month Period Ended July 31 2008	Three Month Period Ended July 31 2007	Nine Month Period Ended July 31 2008	Nine Month Period Ended July 31 2007
	\$	\$	\$	\$
Operating Activities				
Net earnings (loss) for the period	(279,860)	(88,593)	1,950	5,523
Items not involving cash				
Amortization	1,234	1,268	3,701	3,721
Write-off of resource properties	10,020	929	21,836	2,207
Stock-based compensation	145,439	-	209,333	478,114
Future income tax recovery	-	-	(513,492)	(702,221)
	(123,167)	(86,396)	(276,672)	(212,656)
Changes in non-cash working capital				
Accounts receivable	(88,190)	281,752	162,186	624
Prepaid expenses	664	650	1,992	3,986
Accounts payable	121,474	446,194	(115,701)	333,916
	33,948	728,596	48,477	338,526
	(89,219)	642,200	(228,195)	125,870
Financing Activity				
Share issuance	74,850	1,612,576	1,767,667	5,312,769
Investing Activities				
Increase in reclamation deposits	(2,500)	(556)	(2,500)	(9,850)
Resource property expenditures, net of recoveries	(1,325,780)	(1,130,925)	(2,547,620)	(2,721,299)
	(1,328,280)	(1,131,481)	(2,550,120)	(2,731,149)
Increase (Decrease) During The Period	(1,342,649)	1,123,295	(1,010,648)	2,707,490
Cash, beginning of period	3,426,704	2,987,907	3,094,703	1,403,712
Cash, End Of Period	2,084,055	4,111,202	2,084,055	4,111,202

Supplemental cash flow information (Note 10)

The accompanying notes are an integral part of these financial statements.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2008
(UNAUDITED - PREPARED BY MANAGEMENT)

1. Basis of Presentation

These interim financial statements have been prepared using the same accounting policies as used in the financial statements for the year ended October 31, 2007 and should be read in conjunction with the audited annual financial statements.

2. 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 July 31, 2008, 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 gain of \$1,950 for the nine month period ended July 31, 2008 (2007 – \$5,523), and had a deficit of \$6,057,531 at July 31, 2008 (October 31, 2007 - \$6,059,481) 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.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE TWO

3. Resource Properties

	GK Property B.C., Canada	Mineral Creek B.C., Canada	Manitoba Coal Manitoba, Canada	North Brenda Property B.C., Canada	SPN Property B.C., Canada	Big Southeaster B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – October 31, 2007	2,187,153	2,413,847	-	1,529,512	222,295	1,399,680	2,768,213	10,520,700
Deferred Cost During The Period								
Acquisition costs	-	-	-	-	13,000	-	-	13,000
Aircraft charter	-	-	12,341	-	-	-	-	12,341
Claims, leases and permits	16,262	55,305	663,548	1,000	8,688	49,586	12,057	806,446
Consulting and professional	164,844	71,299	15,849	121,831	65,105	86,283	189,613	714,824
Drilling	411,589	193,628	-	9,672	-	196,288	6,140	817,317
Field supplies	6,543	10,648	262	1,877	1,003	659	5,952	26,974
Fuel	11,329	8,533	-	993	-	8,633	-	29,488
Geochemistry	39,825	5,821	-	35,775	10,601	35,286	-	127,308
Geophysics	-	-	-	115,422	-	-	13,501	128,923
Ground transportation	6,007	5,484	354	4,235	282	4,211	14,015	34,588
Other	3,686	34,643	42	8,474	672	4,377	44,276	96,170
Recovery of costs	-	-	-	-	-	-	(338,468)	(338,468)
Room and board	15,143	12,823	475	289	509	5,445	10,326	45,010
Stock-based compensation	15,279	1,389	-	15,279	-	1,389	-	33,336
Travel and freight	6,299	1,883	745	2,630	15	3,302	1,820	16,694
Trenching	24,668	-	-	-	-	-	-	24,668
	721,474	401,486	693,616	317,477	99,875	395,459	(40,768)	2,588,619
Balance – July 31, 2008	2,908,446	2,815,333	693,616	1,846,989	322,170	1,795,139	2,727,445	13,109,319

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.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE THREE

3. Resource Properties *(Cont'd)*

(a) Michigan, U.S.A. *(Cont'd)*

(i) Mineral Rights, Michigan, U.S.A. *(Cont'd)*

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 within a 56 square mile area of interest. To earn this interest Cameco has incurred \$600,000 of exploration expenditures and must incur an additional \$1,000,000 of exploration expenditures within this area prior to June 30, 2009. 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 cost incurred.

(ii) State Leases

At July 31, 2008, 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 nine month period ended July 31, 2008, the Company incurred exploration expenditures of \$297,700 relating to the Michigan properties and received and/or accrued recoveries of \$338,468.

(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 (paid) by June 15, 2007 and \$25,000 (paid subsequent to period end) by June 15, 2008. 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 nine month period ended July 31, 2008, the Company incurred expenditures of \$721,474 relating to the GK property.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE FOUR

3. Resource Properties *(Cont'd)*

(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 which is located near 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 to the vendors 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 nine month period ended July 31, 2008, the Company incurred acquisition and exploration expenditures of \$401,486 relating to the Mineral Creek property.

(d) 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 vendor at a fair value of \$33,500. Prior to the second anniversary, the Company is required to issue an additional 50,000 common shares (issued). 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 nine month period ended July 31, 2008, the Company incurred acquisition and exploration expenditures of \$317,477 relating to the North Brenda property.

(e) 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 to the vendor at a value of \$30,000. Prior to the first anniversary, the Company completed \$50,000 of exploration expenditures and issued 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 royalty, of which the Company can purchase half by paying \$1,000,000.

During the nine month period ended July 31, 2008, the Company incurred acquisition and exploration expenditures of \$99,875 relating to the SPN property.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE FIVE

3. Resource Properties *(Cont'd)*

(f) 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 paid \$10,000 and has issued 50,000 shares to the vendors at a value of \$24,500. Prior to the first anniversary, the Company was required to issue 50,000 shares (issued) at a value of \$29,500. Prior to the second anniversary, the Company is required to issue an additional 50,000 common shares (issued) 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 returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the nine month period ended July 31, 2008, the Company incurred acquisition and exploration expenditures of \$395,459 relating to the Big Southeaster property.

(g) Manitoba Coal, Manitoba, Canada

The Mines Branch of the Province of Manitoba's Department of Science, Technology, Energy and Mines has accepted the Company's Quarry Exploration Permit applications and deposit payments. Granting of the Quarry Exploration Permit is subject to approval of Bitterroot's proposed work programs by Manitoba Conservation and the Mines Branch.

During the nine month period ended July 31, 2008, the Company incurred acquisition and exploration expenditures of \$693,616 relating to the Manitoba Coal property.

4. Equipment

	July 31 2008		October 31 2007	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	9,396	7,960	1,435	1,853
Furniture and fixtures	8,350	2,266	6,084	7,157
Leasehold improvements	5,655	5,345	310	365
Field equipment	28,095	20,671	7,424	9,579
	51,496	36,242	15,253	18,954

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE SIX

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, 2007	52,927,955	17,107,923
Issued for cash		
Exercise of share purchase warrants	135,000	68,925
Exercise of stock options	35,000	15,005
Pursuant to private placements	5,097,000	1,804,950
Resource property option payments	50,000	13,000
Mineral claim payments	50,000	16,500
Share issue costs	-	(133,128)
Future income taxes on expenditures renounced to shareholders	-	(513,492)
Balance – July 31, 2008	58,294,955	18,379,683

During the nine month period ended July 31, 2008:

- (i) The Company received \$21,000 pertaining to a private placement issued the previous year.
- (ii) The Company issued 5,097,000 flow-through common shares priced at \$0.35 per share for gross proceeds of \$1,783,950.

(c) Warrants

The following share purchase warrants (convertible to an equivalent number of common shares) were outstanding July 31, 2008:

Number Of Warrants	Exercise Price	Expiry Date
	\$	
2,300,000	0.80	November 17, 2008
1,925,714	0.50	October 5, 2009
<u>240,000</u>	0.35	March 14, 2010
<u>4,465,714</u>		

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE SEVEN

6. Contributed Surplus

The Company's contributed surplus at July 31, 2008 is comprised of the following:

	\$
Balance – October 31, 2007	2,236,730
Exercise of stock options	(7,654)
Exercise of broker warrants	(1,425)
Issuance of broker warrants	20,995
Stock-based compensation (Note 7)	242,666
Balance – July 31, 2008	2,491,312

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.

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.

The following stock options were outstanding and exercisable at July 31, 2008:

Number Of Options	Exercise Price	Expiry Date
	\$	
100,000	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
340,000	0.36	February 7, 2013
60,000	0.40	June 9, 2013
445,000	0.76	June 25, 2013

The weighted average contract life remaining on the above stock options is 4.06 years. The weighted average grant-date fair value of options granted during the nine month period ended July 31, 2008, was \$0.27 per option.

Total compensation expense recognized for stock options granted during the nine month period ended July 31, 2008 was \$242,666 (2007 - \$635,276). Stock-based compensation of \$33,334 (2007 - \$157,153) was capitalized to resource properties for options granted to consultants and \$209,332 (2007 - \$478,114) was expensed to operations for options granted to directors and employees of the Company.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE EIGHT

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 period.

Volatility percentage	102 %
Risk-free interest rate	3.41 %
Dividend yield	-
Expected life of options	5 years

8. Related Party Transactions

The following is a summary of related party transactions and balances for the nine month period ended July 31, 2008 and 2007, not disclosed elsewhere in the financial statements:

Management fees of \$72,000 (2007 - \$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.

9. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at July 31, 2008 are presented below:

	\$
Net operating loss carry-forwards	488,640
Capital loss carry-forwards	41,869
Resource properties	(1,053,417)
Equipment	11,242
Share issuance costs	118,501
Total future income tax asset (liability)	(393,165)
Valuation allowance	-
<u>Net future income tax liability</u>	<u>(393,165)</u>

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE NINE

9. 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
	<u>1,432,000</u>

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.

10. Supplemental Disclosures With Respect To Cash Flows

	July 31 2008	July 31 2007
	\$	\$
Cash paid during the period for income taxes	-	-
Cash paid during the period for interest	-	81

The significant non-cash transactions for the nine month period ended July 31, 2008, were as follows:

- (a) The Company issued 50,000 shares in respect of option payments for resource properties, with a fair value of \$13,000.
- (b) The Company issued 50,000 shares in respect of mineral claim payments, with a fair value of \$16,500.
- (c) The Company issued 855,000 stock options in accordance with its stock option plan. These options had a fair value of \$217,305.
- (d) The Company issued 240,000 share purchase warrants to brokers. These warrants had a fair value of \$20,994.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
PAGE TEN

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:

	July 31 2008	October 31 2007
	\$	\$
Canada	10,397,127	7,771,441
U.S.A.	2,727,445	2,768,213
	<u>13,124,572</u>	<u>10,539,654</u>

12. Financial Instruments

The Company's financial instruments consists of cash and cash equivalents, 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 due to their short term maturities, unless otherwise noted.

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(d), 3(e), 3(f) and 3(g).

BITTERROOT RESOURCES LTD. MANAGEMENT DISCUSSION & ANALYSIS

For the period ended July 31, 2008

As of September 29, 2008

SUMMARY OF ACTIVITIES

In the nine months ended July 31, 2008, the majority of Bitterroot Resources Ltd.'s Canadian exploration expenditures were on drilling and associated costs on the Mineral Creek, Big Southeaster, North Brenda and GK projects in British Columbia and the Manitoba coal project. In Michigan, the majority of exploration expenditures were for consulting and professional costs incurred on the Cameco uranium project. Capitalized exploration expenditures in the nine month period, excluding recoveries and acquisition costs, were \$2,914,087. Funding from Cameco Corporation contributed \$338,468 to Bitterroot's working capital during the period, while expenses (net of stock-based compensation) were \$339,050.

INTRODUCTION

Bitterroot Resources Ltd. is a mineral resource company engaged directly and indirectly through its wholly-owned 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 is currently earning 100 percent interests in the SPN (base metals), GK (gold) and North Brenda (Mo/Cu) projects. Bitterroot currently holds a 100 percent interest in six Quarry (coal) Exploration Permit applications in Manitoba. 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.

During and subsequent to the nine months ended July 31, 2008, commodity prices and North American equity markets declined significantly. The Company is exposed to commodity price and equity market risk due to the cyclical nature of the mineral exploration business. Management currently seeks to minimize political risk by exploring for a number of different mineral commodities (uranium, coal, gold, copper, zinc, molybdenum) and by operating in road-accessible locations in Canada (western Manitoba, 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 consolidated financial statements for the period ended July 31, 2008 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2007. Detailed exploration results are presented in news releases available on www.sedar.com or the Company's website (www.bitterrootresources.com).

OVERALL PERFORMANCE

Results of Operations

Mineral Creek Gold Project, British Columbia

Construction of a small preliminary test-milling circuit to process mineralized rock mined from the Lower Linda vein started in June. The company's partner and project operator, Mineral Creek Ventures Inc., has produced 620.2 grams (19.94 troy ounces) of coarse gold from approximately 4.8 tonnes of rock. In addition, approximately 270 kilograms of gold-bearing pyrite-rich concentrate of unknown grade remains to be processed. The rock was pulverized to <10 mesh and tabled to produce the concentrate. Tailings are being stored for future analysis and recovery. Throughput was limited by low crushing capacity and availability. **Based on these results, Bitterroot and Mineral Creek have purchased new crushing equipment with a capacity of 1.35 tonnes per hour, for delivery in October. The upgraded crushing system is expected to result in significantly higher throughput and gold production.**

In August, a new quartz vein containing visible gold, known as the Ember Vein, was discovered approximately 120 metres south of the Lower Linda Vein. The discovery outcrop of the Ember vein has a true thickness of approximately 0.5 metres and was located by tracking gold-bearing quartz float material uphill and digging through overburden. Three chip samples taken across the lower, middle and upper parts of the exposed part of the Ember vein returned assays of 29.9, 41.6 and 69.7 grams gold/tonne (or 0.87, 1.21 and 2.0 ounces/ton gold).

As of the date of this report, the Company's drilling contractor has completed approximately 5,100 metres of drilling in 20 holes. Extensive zones of alteration and quartz veining were intersected along the Gap fault system although gold grades from assays received to date have been below 1.0 gram gold per tonne. The drill rig has recently been moved to the Linda area to test for extensions of the high-grade Lower Linda vein and the newly discovered Ember vein. Assays are pending from these holes.

In August and early September, a 360 line-kilometre VTEM airborne geophysical survey was flown over most of the Mineral Creek property. Upon completion of data processing, the survey will provide magnetic and electromagnetic data which will be used to define additional gold and base metals targets.

In the nine months ended July 31, 2008, Bitterroot spent \$400,097 on the Mineral Creek project, net of stock-based compensation, mainly on drilling and geological consulting. 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.

Michigan Uranium Joint Venture

During the quarter ended July 31, 2008, Bitterroot received permits allowing the resumption of mineral exploration activities on lands covered by the Cameco option/joint venture arrangement. Since receipt of the permits, approximately 29.5 line-kilometres of grid have been established

and follow-up electromagnetic surveys have been completed. A 3,000-metre, 20-hole, core drilling program started in late September. Cameco is earning a 65 percent interest in Bitterroot's mineral rights within a 56 square-mile area of interest. Bitterroot's management expects that Cameco will complete its earn-in by funding part of the 2008 drilling program. Bitterroot is also exploring base metals targets outside of the Cameco area of interest.

In the nine months ended July 31, 2008, Bitterroot spent \$297,700 on its Michigan projects, net of stock-based compensation, mainly on consulting and professional costs. Cameco refunded approximately \$338,468 of exploration costs incurred during the period. Mr. Jeffrey Lynott, P.G. is the Qualified Person responsible for the design and implementation of exploration programs on the Michigan Uranium joint venture.

Manitoba Coal Project

Following disclosure of a significant coal discovery in eastern Saskatchewan by Goldsource Mines Inc. in late April 2008, Bitterroot's management initiated land acquisition activities in adjacent parts of western Manitoba. Bitterroot has submitted applications for Quarry (Coal) Exploration Permits covering approximately 25,400 hectares (60,000 acres) in three separate areas (see news release dated May 22, 2008 and map on www.bitterrootresources.com). These lands were selected based on their proximity to the Lower Cretaceous coal-bearing strata of the Mannville Group (or Swan River Group, as it is known in Manitoba) and transportation infrastructure. The Mannville Group is equivalent to the Lower Cretaceous Luscar Group, which hosts large deposits of thermal and metallurgical coal in the Rocky Mountain foothills. Goldsource's Border coal discovery is extremely significant, as it contains the thickest (+22 metres) coal seam yet reported in the Mannville Group, at shallow (surface mine) depths.

The Mines Branch of the Province of Manitoba's Department of Science, Technology, Energy and Mines has posted the location of Bitterroot's Quarry Exploration Permit applications on its website. Granting of these permits is subject to approval of Bitterroot's work programs by Manitoba Conservation and the Mines Branch. A winter drilling program is planned, subject to receipt of permits and flow-through financing.

In the nine months ended July 31, 2008, Bitterroot spent \$693,616 on the Manitoba Coal project, net of stock-based compensation, mainly on land acquisition costs. Mr. John H. Perry, P.Geo is the Qualified Person responsible for the design and oversight of exploration programs on the Manitoba Coal project.

North Brenda Copper/Molybdenum/Gold Project, British Columbia

The North Brenda property hosts Mo/Cu mineralization adjacent to the past-producing Brenda Mine (177 million tonnes grading 0.043% Mo and 0.169% Cu). In June, infill IP survey lines and additional soil sampling were completed on the North Brenda property, on the NNE-trending Brenda mineralized trend. This work has confirmed the presence of a 1.5 kilometre-long target area defined by highly anomalous molybdenum and copper-in-soil and by an IP chargeability anomaly which is coincident with the strongest soil geochemical values. The 2007 drilling

program tested the flanks of this target, but in light of the new data, the best geochemical/geophysical targets remain untested.

In addition to the Mo/Cu-mineralized area adjoining the Brenda Mine, three other areas with anomalous gold-in-soil on the northern part of the North Brenda property were explored with infill soil geochemical surveys and geological mapping during the quarter. Additional drilling and trenching of the molybdenum/copper and gold targets is planned in 2009, following completion of a Memorandum of Understanding with the Westbank First Nation.

In the nine months ended July 31, 2008, Bitterroot spent \$302,198 on the North Brenda project, net of stock-based compensation, mainly on geological consulting, geochemical surveys and geophysical surveys. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and implementation of exploration programs on the North Brenda project.

SPN Copper/Gold Project, British Columbia

The SPN property has potential for volcanogenic massive sulphide mineralization similar to that found elsewhere on the Adams Plateau. Field work resumed in early July with cutting of a 45 line-km grid. Soil sampling, prospecting and geologic mapping are underway. In August, a 300 line-kilometre VTEM airborne geophysical survey was flown over the SPN property. Upon completion of data processing, the survey will provide magnetic and electromagnetic data which will be combined with soil geochemical and geological data to define drill targets.

In the nine months ended July 31, 2008, Bitterroot spent \$99,875 on the SPN project, net of stock-based compensation, mainly on geological consulting, geochemical analyses and acquisition/land costs. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and execution of exploration programs on the SPN project.

Big Southeaster Gold/VMS Project, British Columbia

In August and early September, a 360 line-kilometre VTEM airborne geophysical survey was flown over the Big Southeaster property and adjacent parts of the Mineral Creek property. Upon completion of data processing, the survey will provide magnetic and electromagnetic data which will be used to define additional gold and base metals targets,

Bitterroot's drilling contractor completed 40 diamond-drill holes totaling 11,286 metres on the Big Southeaster property between December 2006 and December 2007. Of these holes, 22 (totaling 6,679 metres) tested a gold-bearing zone associated with the Mineral Creek fault zone in the Lizard Lake area and 18 holes (totaling 4,607 metres) tested a cluster of polymetallic copper/zinc/gold showings in the Regina area. Studies are being done to determine vectors towards higher grades and potentially economic concentrations of volcanogenic massive sulphide mineralization in the highly prospective Sicker Group stratigraphy. Studies are also underway to identify additional targets in the shear-related gold zone associated with the Mineral Creek fault.

In the nine months ended July 31, 2008, Bitterroot spent \$394,070 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 the exploration program on the Big Southeaster project.

GK Gold/Silver Project, British Columbia

Drilling on the Blue Jay zone intersected sulphide mineralization in all 13 drill holes (2,594 metres) completed. The mineralization occurs both in highly fractured silicified, tuffaceous volcanic rocks and in diorite dykes, near the contacts of the two rock types. Several drill holes in the Blue Jay zone returned intercepts averaging 1 to 2 grams Au/tonne over widths between 3 to 10 metres, including narrower intervals of somewhat higher grade, such as 7.21 grams Au/tonne over 1.8 metres. Drilling on the Hornet zone, located approximately 5 kilometres north of Blue Jay, also intersected sulphide mineralization in four holes (746 metres) drilled, within a similar geologic setting. The drill holes in the Hornet zone returned more consistent and higher grades than those in the Blue Jay zone. The best interval returned 1.47 grams Au/tonne over 13.9 metres, which included 7.13 grams Au/tonne over 2.6 metres. Additional soil and stream silt geochemical sampling on the Hornet zone was done in June. The results of this work have been encouraging. Additional exploration of the Hornet zone is planned in 2009, following completion of a Memorandum of Understanding with the Westbank First Nation.

In the nine months ended July 31, 2008, Bitterroot spent \$706,195 on the GK Project, net of stock-based compensation, mainly on drilling and geological consulting. Subsequent to the end of the quarter, the Company made its final \$25,000 payment to the vendors as required by the GK option agreement. 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.

Financial Condition

At July 31, 2008, Bitterroot had working capital of \$2,066,257, which included accounts receivable of \$121,815 due from Cameco and \$43,556 due from GST refunds. Resource properties had a book value of \$13,109,319 compared to \$10,520,700 at the beginning of the nine month period and \$11,793,559 at the beginning of the quarter. For the nine months ended July 31, 2008, cash outflows exceeded cash inflows by \$1,010,648, which when combined with the \$3,094,703 cash balance at the beginning of the year, resulted in a cash position of \$2,084,055. Cash outflows were comprised principally of resource property expenditures of \$2,886,088 (excluding recoveries from Cameco and stock-based compensation) and operating expenses of \$335,349 (net of stock-based compensation and amortization).

Summary of Financial Results

During the nine months ended July 31, 2008, the Company had a loss before income tax adjustments of \$511,542, compared to a net loss of \$696,698 in the first nine months of the prior year. The reduced loss during the period was mainly attributable to much lower stock-based

compensation charges, which was partially offset by increased exploration expenses. Excluding stock-based compensation, exploration expenses and amortization charges, the Company's operating expenses for the nine months were \$274,234, which is approximately 12% lower than operating expenses incurred during the same period of the previous year.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with July 31, 2008. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	Quarter Ended July 31, 2008	Quarter Ended April 30 2008	Quarter Ended Jan 31 2008	Quarter Ended Oct 31, 2007
Interest Income	16,046	19,240	23,388	31,445
Income (loss) for the period	(279,860)	(184,048)	(143,089)	(665,779)
General and administrative	(285,886)	(131,672)	(130,824)	(100,908)
Stock-based compensation	(145,439)	(63,892)	-	(143,055)
Write-off of resource property	(10,020)	(7,724)	(4,092)	(52,533)
Net Earnings (Loss) per share Basic and diluted	(0.00)	(0.00)	0.01	(0.01)

	Quarter Ended July 31, 2007	Quarter Ended April 30 2007	Quarter Ended Jan 31 2007	Quarter Ended Oct 31 2006
Interest income	31,939	35,567	26,510	15,850
Income (loss) for the period	(88,593)	(169,722)	263,838	(207,407)
General and administrative	(119,603)	(129,906)	(68,457)	(42,323)
Stock-based compensation	-	(82,322)	(395,792)	(179,656)
Write-off of resource property	(929)	(634)	(644)	(1,278)
Net Earnings (Loss) per share Basic and diluted	(0.00)	0.00	0.01	(0.01)

LIQUIDITY

During the nine months ended July 31, 2008, the Company received \$21,000 (before share issue costs) from the final tranche of a private placement of 2,060,714 units priced at \$0.35 per unit which was initiated in the previous financial year and \$1,783,950 from a private placement of

5,097,000 flow through common shares priced at \$0.35 per share which was completed in the quarter ended July 31, 2008. The Company also received \$68,925 from the exercise of 135,000 share purchase warrants and \$15,005 from the exercise of stock options during the third quarter.

The Company's working capital at July 31, 2008 was \$2,066,257, compared to working capital of \$3,125,383 at October 31, 2007. Current liabilities were \$192,102, consisting of accounts payable incurred in the normal course of the mineral exploration business, plus \$52,000 for accrued accounting/audit fees and \$50,000 for unpaid management fees. Subsequent to the end of the quarter, the management fees were paid.

At July 31, 2008, there were 4,465,714 share purchase warrants outstanding, which are exercisable at prices between \$0.35 and \$0.80. During the quarter, 123,998 warrants expired unexercised and 240,000 warrants exercisable at \$0.35 were issued. If exercised, the outstanding warrants would generate proceeds to the Company of \$2,886,857. There were also 5,535,000 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$3,002,900.

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 2008 exploration work will be funded by Cameco Corporation. Cameco must incur total qualifying expenditures of \$1,000,000 on the Michigan uranium targets prior to June 30, 2009 to complete earning a 65 percent interest in the area of interest. Cameco's management has indicated that it is prepared to provide funding in excess of this amount following earn-in. Bitterroot's current cash balance is sufficient to fund its 35 percent share of the planned 2008 project costs following formation of a joint venture. In the longer term, Bitterroot's ability to meet its ongoing financial 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. 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 nine months ended July 31, 2008.

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

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 July 31, 2008 was 58,294,955 common shares with a recorded value of \$18,379,683.
As of the date of this report there are 58,594,955 common shares outstanding.
- c) Options outstanding at July 31, 2008

Number of Options	Exercise Price	Expiry Date
100,000	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
340,000	0.36	February 7, 2013
60,000	0.40	June 9, 2013
445,000	0.76	June 25, 2013

Subsequent to the end of the quarter;

- 100,000 options expiring September 20, 2008 were exercised
- the Company issued incentive stock options to acquire 174,500 common shares at \$0.26, expiring September 17, 2013
- 45,000 options (20,000 @ \$0.53 expiring May 24, 2009 and 25,000 @ \$0.70 expiring January 11, 2012) were cancelled

- d) Warrants outstanding at July 31, 2008

Number of Warrants	Exercise Price	Expiry Date
2,300,000	\$0.80	November 17, 2008
1,925,714	\$0.50	October 25, 2009
240,000	\$0.35	March 14, 2010

Stock-based Compensation

Total compensation expense recognized for stock options granted during the nine months ended July 31, 2008 was \$242,666 (2007 - \$635,276).

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.