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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2010**  
*(Unaudited - Prepared by Management)*

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**BITTERROOT RESOURCES LTD.**  
**(UNAUDITED - PREPARED BY MANAGEMENT)**

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**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, 2010, and for nine months ended July 31, 2010 and 2009, 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)  
(Expressed in Canadian Dollars)

	July 31 2010	October 31 2009
	\$	\$ <i>(audited)</i>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,010,289	758,215
Accounts receivable - other	94,036	525,772
Prepaid expenses	8,505	23,688
	1,112,830	1,307,675
<b>Reclamation Deposit</b>	15,800	15,800
<b>Resource Properties</b> (Note 3)	15,655,346	15,090,668
<b>Equipment</b> (Note 4)	13,250	9,446
	16,797,226	16,423,589
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	84,876	182,435
<b>Asset Retirement Obligation</b> (Note 5)	24,307	22,611
<b>Future Income Taxes</b> (Note 11)	1,145,579	1,145,579
	1,254,762	1,350,625
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 6)	19,482,486	19,049,894
<b>Contributed Surplus</b> (Note 7)	3,003,101	2,891,573
<b>Deficit</b>	(6,943,123)	(6,868,503)
	15,542,464	15,072,964
	16,797,226	16,423,589

Continuing Operations (Note 2)  
Subsequent Events (Note 16)

Approved by directors:

"Michael S. Carr"  
Michael S. Carr, Director

"George W. Sanders"  
George W. Sanders, Director

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

**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(UNAUDITED - PREPARED BY MANAGEMENT)  
(Expressed in Canadian Dollars)

	Three Month Period Ended July 31 2010	Three Month Period Ended July 31 2009	Nine Month Period Ended July 31 2010	Nine Month Period Ended July 31 2009
	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	-
<b>Expenses</b>				
Amortization	739	589	2,216	2,391
Accretion	565	-	1,696	-
Foreign exchange (gain) loss	(379)	29,769	1,252	49,328
Interest and bank charges	181	866	1,047	1,948
Management fees	24,000	24,000	72,000	72,000
Office, printing and travel	26,699	35,219	98,087	89,080
Professional fees	13,243	25,653	67,487	85,128
Property investigation (recoveries)	7,889	825	15,650	(17,989)
Regulatory fees	48	432	7,478	8,214
Shareholder information	399	(853)	10,614	9,180
Stock-based compensation	183	97,930	66,513	186,683
Transfer agent fees	7,301	2,075	14,245	12,659
	80,868	216,505	358,285	498,622
<b>Loss Before Other Items and Income Taxes</b>	(80,868)	(216,505)	(358,285)	(498,622)
<b>Other Items</b>				
Interest income	273	3,052	5,568	20,322
Gain on sale of equipment	-	2,112	-	2,112
<b>Loss Before Income Taxes</b>	(80,595)	(211,341)	(352,717)	(476,188)
Future income tax recovery	-	-	278,097	779,951
<b>Net Earnings (Loss) For The Period</b>	(80,595)	(211,341)	(74,620)	303,763
Deficit, beginning of period	(6,862,528)	(6,190,066)	(6,868,503)	(6,705,170)
<b>Deficit, End Of Period</b>	(6,943,123)	(6,401,407)	(6,943,123)	(6,401,407)
<b>Basic And Diluted Earnings (Loss) Per Share</b>	(0.00)	(0.00)	(0.00)	0.00
<b>Weighted Average Number Of Shares Outstanding</b>	75,768,493	67,694,796	74,764,309	65,432,934

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 2010	Three Month Period Ended July 31 2009	Nine Month Period Ended July 31 2010	Nine Month Period Ended July 31 2009
	\$	\$	\$	\$
<b>Operating Activities</b>				
Net earnings (loss) for the period	(80,595)	(211,341)	(74,626)	303,763
Items not involving cash				
Amortization	739	589	2,216	2,391
Accretion	565	-	1,696	-
Stock-based compensation	5,016	97,930	71,346	186,683
Future income tax recovery	-	-	(278,097)	(779,951)
Gain on sale of equipment	-	(2,112)	-	(2,112)
	(74,275)	(114,934)	(277,465)	(289,226)
Changes in non-cash working capital				
Accounts receivable - other	(17,171)	(33,748)	494,122	1,228,473
Prepaid expenses	3,023	4,832	15,183	15,379
Accounts payable and accrued liabilities	21,454	20,122	(122,217)	(325,147)
	7,306	(8,794)	387,088	918,705
	(66,969)	(123,728)	109,623	629,479
<b>Financing Activity</b>				
Share issuances	-	211,468	678,200	942,602
<b>Investing Activities</b>				
Purchase of capital assets	-	-	(6,023)	-
Sale of equipment	-	3,500	-	3,500
Resource property expenditures, net of recoveries	(204,960)	(458,216)	(529,726)	(326,943)
	(204,960)	(454,716)	(535,749)	(323,443)
<b>Decrease During the Period</b>	(271,929)	(366,976)	252,074	1,248,638
Cash and cash equivalents, beginning of period	1,282,218	1,997,571	758,215	381,957
<b>Cash and Cash Equivalents, End of Period</b>	1,010,289	1,630,595	1,010,289	1,630,595
<b>Cash and Cash Equivalents Consist of:</b>				
Bank deposits	1,010,289	1,180,595	1,010,289	1,180,595
Guaranteed investment certificates	-	450,000	-	450,000
	1,010,289	1,630,595	1,010,289	1,630,595

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

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2010  
(Expressed in Canadian Dollars)

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**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, 2009, and should be read in conjunction with the audited annual financial statements.

**2. Continuing Operations**

Bitterroot Resources Ltd. 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, 2010, 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 \$74,626 for the nine month period ended July 31, 2010 (2009 – earnings of \$303,763) and had a deficit of \$6,943,123 at July 31, 2010 (October 31, 2009 - \$6,868,503) 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**  
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**3. Resource Properties**

	GK Property B.C., Canada	Mineral Creek Property 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, 2009</b>	2,522,045	5,220,991	1,653,470	438,387	1,937,062	3,318,713	15,090,668
Deferred Costs During the Period							
Acquisition costs	-	-	-	50,000	-	-	50,000
Claims, leases and permits	1,350	2,471	1,350	100	1,600	22,313	29,184
Consulting and professional	11,510	168,003	63,882	16,508	-	26,348	286,251
Drilling	-	117,572	-	-	-	-	117,572
Field supplies	-	10,446	-	-	-	2,278	12,724
Fuel	-	9,901	-	-	-	-	9,901
Geochemistry	8,957	17,932	28,870	139	-	-	55,898
Geophysics	-	5,263	5,218	-	-	-	10,481
Ground transportation	125	9,398	125	125	-	1,537	11,310
Other	3,960	7,506	1,740	-	2,381	5,839	21,426
Recovery of costs	-	(62,386)	-	-	-	(14,107)	(76,493)
Room and board	79	8,366	79	79	-	2,491	11,094
Stock-based compensation	2,365	6,687	2,365	2,365	-	8,890	22,672
Travel and freight	-	1,062	20	-	-	1,576	2,658
	28,346	302,221	103,649	69,316	3,981	57,165	564,678
<b>Balance - July 31, 2010</b>	2,550,391	5,523,212	1,757,119	507,703	1,941,043	3,375,878	15,655,346

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 Lands, Michigan, U.S.A.

(i) Mineral Rights

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.

The Company retains a 35% interest in certain State of Michigan mineral leases within a 56 square mile area of interest. Cameco Corporation acquired the remaining 65% interest from the Company having incurred \$1,600,000 of exploration expenditures. 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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Resource Properties** (Cont'd)

(ii) State Leases

At July 31, 2010, the Company held leases covering approximately 7,389 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 \$159,096 through February 28, 2014. Minimum rental payments due in the next five years are as follows:

	\$
2010	24,927
2011	19,167
2012	38,334
2013	38,334
2014	38,334

During the nine month period ended July 31, 2010, the Company incurred acquisition and exploration expenditures of \$71,272 (2009 - \$721,131) relating to the Michigan properties and received recoveries of \$14,107 (2009 - \$640,368) from Cameco Corporation.

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

The Company owns a 100% interest in the GK Property located approximately 10 kilometres east of the town of Beaverdell, British Columbia. The vendors 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, 2010, the Company incurred acquisition and exploration expenditures of \$28,346 (2009 - \$27,163) relating to the GK property and received recoveries of \$nil (2009 - \$214,498).

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

The Company owns a 100% interest in the Mineral Creek Property, located near Port Alberni, British Columbia. The vendors retain a combined 3.5% net smelter returns royalty. In addition, the Company owns a 100% interest in four adjoining mineral claims.

During the nine month period ended July 31, 2010, the Company incurred acquisition and exploration expenditures of \$364,607 (2009 - \$97,329) relating to the Mineral Creek property and received recoveries of \$62,386 (2009 - \$22,572).

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

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

The Company owns a 100% interest in the North Brenda molybdenum/copper/gold property in south western British Columbia. The vendors 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, 2010, the Company incurred acquisition and exploration expenditures of \$103,649 (2009 - \$125,945) relating to the North Brenda property and received recoveries of \$nil (2009 - \$210,115).

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

The Company owns a 100% interest in the SPN claims, which are located approximately 20 kilometres southeast of Barriere, British Columbia. In order to earn this interest, the Company paid \$10,000 and issued 584,783 common shares at a value of \$102,000. 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 nine month period ended July 31, 2010, the Company incurred acquisition and exploration expenditures of \$69,316 (2009 - \$20,761) relating to the SPN property and received recoveries of \$nil (2009 - \$42,837).

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

The Company owns a 100% interest in the Big Southeaster property which adjoins the south side of the Mineral Creek property. The vendors will retain a 2% net smelter return royalty, of which the Company can purchase half by paying \$1,000,000.

During the nine month period ended July 31, 2010, the Company incurred acquisition and exploration expenditures of \$3,981 (2009 - \$57,096) relating to the Big Southeaster property.

**4. Equipment**

	<b>July 31 2010</b>		<b>October 31 2009</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
	\$	\$	\$	\$
Computer hardware	9,396	8,693	703	908
Field equipment	20,095	17,210	2,885	3,723
Furniture and fixtures	9,381	4,534	4,847	4,581
Leasehold improvements	10,646	5,831	4,815	234
	<b>49,518</b>	<b>36,268</b>	<b>13,250</b>	<b>9,446</b>

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**5. Asset Retirement Obligation**

The Company's obligations with respect to asset retirement relate to reclamation of the Mineral Creek Property site. The obligation is recognized in the period in which the obligation is created based on the estimated future reclamation costs using a credit-adjusted risk-free rate of 10 percent and estimated inflation of 1.92% annually. The total undiscounted future obligation is \$53,315. The Company estimates its obligations to be settled over approximately the next 10 years.

	\$
<b>Balance – October 31, 2009</b>	22,611
Accretion expense	1,696
<b>Balance – July 31, 2010</b>	<b>24,307</b>

**6. Share Capital**

(a) Authorized

The authorized share capital consists of an unlimited number of common shares without par value.

(b) Common Shares Issued

	Number Of Shares	Amount \$
<b>Balance - October 31, 2009</b>	69,432,044	19,049,894
Issued for cash		
Pursuant to private placements	5,901,666	708,200
Resource property option payments	434,783	50,000
Share issue costs	-	(47,511)
Future income taxes on expenditures renounced to shareholders	-	(278,097)
<b>Balance – July 31, 2010</b>	<b>75,768,493</b>	<b>19,482,486</b>

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Share Capital** (*Cont'd*)

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

During the nine month period ended July 31, 2010, the Company issued common shares pursuant to the following:

- (i) On December 10, 2009, the Company issued 5,901,666 flow-through common shares priced at \$0.12 per share and 250,000 non-transferable broker warrants to purchase common shares at \$0.12 expiring December 10, 2011, which were paid in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes model was \$17,511 and was recorded as a share issue cost.
- (ii) On January 13, 2010, the Company issued 434,783 common shares to complete the acquisition of a 100% interest in the SPN property. The fair value of the shares was \$50,000 and was capitalized to the SPN property as an acquisition expenditure.

The following weighted average assumptions were used for the Black-Scholes valuation of broker warrants in the nine month period ended July 31, 2010:

Volatility	131%
Risk-free interest rate	1.68%
Dividend yield	-
Expected life	2 years

**Flow through shares** - Of the shares issued during the nine month period ended July 31, 2010, 5,901,666 were issued on a flow through basis whereby the Company is obligated to spend \$708,200 on Canadian exploration expenditures prior to December 31, 2010, and renounced these expenditures to shareholders. As of July 31, 2010, the company has spent \$407,100 leaving a balance of \$301,100.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. Share Capital** (Cont'd)

(c) Warrants

Warrant transactions are summarized as follows:

	Number Of Warrants	Weighted Average Exercise Price
		\$
<b>Balance - October 31, 2009</b>	628,800	0.21
Issued	250,000	0.12
Expired	(358,800)	0.28
Exercised	-	-
<b>Balance – July 31, 2010</b>	<b>520,000</b>	<b>0.12</b>

The following share purchase warrants (convertible to an equivalent number of common shares) were outstanding at July 31, 2010:

Number Of Warrants	Exercise Price	Expiry Date
	\$	
210,000	0.12	December 2, 2010
60,000	0.12	December 16, 2010
<u>250,000</u>	0.12	December 10, 2011
<b>520,000</b>		

**7. Contributed Surplus**

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

	\$
<b>Balance – October 31, 2009</b>	2,891,574
Stock-based compensation	94,016
Broker warrants	<u>17,511</u>
<b>Balance – July 31, 2010</b>	<b>3,003,101</b>

**BITTERROOT RESOURCES LTD.**  
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**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. 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.

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

	Number Of Options	Weighted Average Exercise Price \$
<b>Balance - October 31, 2009</b>	6,244,500	0.41
Options granted	2,165,000	0.11
Options exercised	-	-
Options expired and forfeited	(835,000)	0.42
<b>Balance – July 31, 2010</b>	<b>7,574,500</b>	<b>0.33</b>

The following stock options were outstanding and exercisable at July 31, 2010:

Range Of Exercise Price	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted Average Remaining Contractual Life years	Weighted Average Exercise Price \$	Options Exercisable	Weighted Average Exercise Price \$
0.10 – 0.24	4,080,000	4.25	0.13	4,005,000	0.13
0.25 – 0.49	1,049,500	2.42	0.35	999,500	0.35
0.50 – 0.74	1,900,000	0.99	0.60	1,900,000	0.60
0.75 – 0.99	545,000	2.68	0.80	545,000	0.80
	<b>7,574,500</b>	<b>3.07</b>	<b>0.33</b>	<b>7,449,500</b>	<b>0.33</b>

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

Total compensation expense recognized for stock options granted during the nine month period ended July 31, 2010, was \$94,016 (2009 – \$190,411). Stock based compensation of \$22,672 (2009 – \$3,728) was capitalized to resource properties for options granted to consultants and \$71,344 (2009 - \$186,683) was expensed to operations for options granted to directors and employees of the Company.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options in the nine month period ended July 31, 2010:

Volatility	100%
Risk-free interest rate	2.66%
Dividend yield	-
Expected life	5 years

**9. Supplemental Cash Flow Information**

Nine Month Period Ended July 31	2010	2009
	\$	\$
Cash paid during the period for income taxes	-	-
Cash paid during the period for interest	-	-

During the nine month period ended July 31, 2010, the Company issued 434,783 (2009 – 507,142) shares in respect of option payments for resource properties, with a fair value of \$50,000 (2009 - \$73,000).

**10. Related Party Transactions**

The following is a summary of related party transactions and balances for the nine month period ended July 31, 2010, not disclosed elsewhere in the financial statements:

- (a) Management fees of \$72,000 (2009 - \$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) Stock-based compensation includes stock options granted to directors recorded at a fair value of \$36,737 (2009 - \$71,344).

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**11. Income Taxes**

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at July 31, 2010 are presented below:

	\$
Net operating loss carry-forwards	549,329
Capital loss carry-forwards	30,678
Resource properties	(1,801,570)
Equipment	9,739
Share issuance costs	66,245
	<hr/>
<b>Net future income tax liability</b>	<b>(1,145,579)</b>

The Company has approximately \$2,197,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2010	114,000
2014	179,000
2015	242,000
2026	273,000
2027	414,000
2028	475,000
2029	500,000
	<hr/>
	<b>2,197,000</b>

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**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 operates in both Canada and the U.S.A. The Company's resource properties and equipment in geographical locations are as follows:

	<b>July 31 2010</b>	<b>October 31 2009</b>
	\$	\$
Canada	12,292,718	11,781,401
U.S.A.	3,375,878	3,318,713
	<u>15,668,596</u>	<u>15,100,144</u>

**13. Financial Instruments**

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	<b>July 31 2010</b>	<b>October 31 2009</b>
	\$	\$
Held for trading (i)	1,010,289	758,215
Loans and receivables (ii)	94,036	525,772
Other financial liabilities (iii)	(84,876)	(182,435)
	<u>1,019,449</u>	<u>1,101,552</u>

- (i) Cash and cash equivalents
- (ii) Receivables
- (iii) Accounts payable and accrued liabilities

The estimated fair values of cash and cash equivalents, receivable and accounts payable and accrued liabilities approximate their respective carrying values due to their nature and short terms to maturity.

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**14. Management of Capital**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties. The Company considers as its capital its shareholders' equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of certain assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors'.

There are no external restrictions on management of capital.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company currently has sufficient capital resources to meet its planned operations and administrative overhead expenses through its current operating period. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

**15. Financial Instruments Risk Exposure and Management**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Capital Risk Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in the shareholder's equity as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets, incur debt, or return capital to shareholders. As of April 30, 2010 the Company does not have any long-term debt and is not subject to externally imposed capital requirements.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

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**15. Financial Instruments Risk Exposure and Management (Cont'd)**

(c) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, reclamation deposits, and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, and reclamation deposits with high-credit quality financial institutions.

The majority of the Company's cash and cash equivalents are held with major Canadian based financial institutions. The reclamation deposit is also held at a major Canadian based financial institution.

(d) Currency Risk

The Company's operations are in Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

(e) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are generally held with large financial institutions

**16. Subsequent Events**

- (a) Under the terms of its stock option plan, the Company granted incentive stock options to acquire 200,000 common shares at \$0.10 per share, expiring September 2, 2015.
- (b) Under the terms of its stock option plan, the Company granted incentive stock options to acquire 310,000 common shares at \$0.10 per share, expiring September 14, 2015.
- (c) Incentive stock options to acquire 510,000 common shares at \$0.53 per share, expiring April 4, 2011, were cancelled.