

**BITTERROOT RESOURCES LTD.**  
**MANAGEMENT DISCUSSION & ANALYSIS**

For the period ended April 30, 2012  
As of June 20, 2012

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**BITTERROOT RESOURCES LTD.  
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For the period ended April 30, 2012  
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**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 exploration and evaluation assets. In Michigan, Bitterroot’s wholly-owned subsidiary Trans Superior Resources, Inc. owns recorded mineral title interests covering approximately 363 square miles in the Upper Peninsula. The Company also currently holds leases covering 1,240 acres of privately-owned mineral rights. In British Columbia, the Company recently sold its 100 percent interest in the Mineral Creek gold property near Port Alberni, BC. In southern BC, the Company owns 100 percent interests in the GK (Au), North Brenda (Au/Cu/Mo) and SPN (base metals) projects. In Nunavut, Bitterroot owns a 100 percent interest in the recently staked Windy (Au) project.

During and subsequent to the period ended April 30, 2012, base metals and gold prices were range-bound, with a downward bias. The Company is exposed to commodity price and equity market risk due to the cyclical nature of the mineral exploration business. Management seeks to minimize commodity risk by exploring for a number of mineral commodities (primarily gold, copper and nickel) and generally seeks to minimize exploration costs and political risk by operating in mining-friendly road-accessible locations in North America.

The following Management Discussion and Analysis (MD&A) should be read in conjunction with Bitterroot Resources Ltd.’s condensed consolidated interim financial statements for the period ended April 30, 2012 and the related notes contained therein which have been prepared under International Financial Reporting Standards (“IFRS”). The following should also be read in conjunction with the audited annual consolidated financial statements and MD&A for the year ended October 31, 2011. It should be noted that the audited financial statements for the year ended October 31, 2011 were prepared in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). This information and exploration results are presented in news releases and project summaries available on [www.sedar.com](http://www.sedar.com) or on the Company’s website ([www.bitterrootresources.com](http://www.bitterrootresources.com)).

All financial information in this MD&A related to 2012 and 2011 has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

**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.

The Company does not believe it has any significant forward-looking information to report as of June 20, 2012.

## **SUMMARY OF ACTIVITIES**

In the period ended April 30, 2012, the majority of Bitterroot Resources Ltd.'s Canadian exploration and evaluation assets expenditures was for geophysics on the Windy property, legal and consulting fees on the Mineral Creek property and a minerals lease in Michigan. Exploration and evaluation assets expenditures in the period were \$273,332. Expenses (net of share-based payments) were \$140,534.

In April 2012, the Company closed the sale of the mining claims comprising its Mineral Creek Project and related data and equipment for \$1,000,000. In conjunction with the sale, the Company also closed a non-brokered private placement of 10,000,000 units priced at \$0.05. Each unit consists of one common share and one half of a common share purchase warrants. A referral fee of \$34,500 was paid in conjunction with the sale of the Mineral Creek claims and a finder's fee of \$30,000 plus 600,000 warrants with the same terms as the common share purchase warrants were paid in conjunction with the private placement.

## **OVERALL PERFORMANCE**

### **Results of Operations**

#### *Michigan Lands, Michigan*

In the Upper Peninsula of Michigan, geophysical surveys and geological mapping have defined several high-priority nickel/copper drill targets. Management is in discussions with potential joint venture partners, with the objective of drill-testing these and other targets in 2012.

In the period ended April 30, 2012, Bitterroot spent \$34,019 on its Michigan exploration projects, mainly on claims, leases and permits.

#### *Windy Project, Nunavut*

In late 2011, Bitterroot's field crews staked the Windy Property, covering 398 square kilometres adjoining Prosperity Goldfields Corp.'s 500 square-kilometre Kiyuk gold project in southern Nunavut. The claims are located near Nueltin Lake, approximately 60 kilometres north of the Manitoba border. Bitterroot's Windy Property covers a significant part of the under-explored, early Proterozoic Kiyuk sedimentary sub-basin, which hosts several significant new gold discoveries on Prosperity Goldfields' Kiyuk property. Structural trends and stratigraphic units associated with the gold mineralization on the Kiyuk property continue onto Bitterroot's Windy property. Gold mineralization at Kiyuk is associated with strong magnetite-albite or albite-actinolite-quartz-carbonate alteration and steeply dipping fault zones. Bitterroot's management believes that the recent exploration success of Prosperity Goldfields indicates that the under-explored Kiyuk sub-basin has the potential to host large gold-bearing systems.

In the period ended April 30, 2012, Bitterroot spent \$119,507 on the Windy property, mainly on

advance payments to contractors for geophysical surveys and consulting fees. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the technical content of this disclosure.

*Mineral Creek Project, British Columbia*

In the period ended April 30, 2012, Bitterroot spent \$109,832 on the Mineral Creek project, mainly on geological consulting, legal costs and claims, leases and permits.

In April 2012, the Company sold the mineral claims comprising its Mineral Creek Project and the related data and equipment for a purchase price of \$1,000,000. In conjunction with the sale, the Company also issued 10,000,000 units priced at \$0.05 in a non-brokered private placement to the purchaser of the Mineral Creek Project. Each unit consists of one common share and one half of a common share purchase warrant. Each full warrant will be exercisable at \$0.10 for a period of 12 months. The financing has been accepted by the TSX Venture Exchange. The Company recorded a loss of \$4,658,826 on the sale of the Mineral Creek exploration and evaluation assets

*North Brenda Project, British Columbia*

In October 2010, a 4,000 line-kilometre, high resolution aeromagnetic survey was flown over the North Brenda property. Prospecting and soil sampling has identified multi-element soil geochemical anomalies located in recently logged areas. Follow-up soil sampling, mapping and prospecting are planned in 2012.

In the period ended April 30, 2012, Bitterroot spent \$9,974 on the North Brenda project mainly on 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.

*GK Gold Project, British Columbia*

There were no expenditures on the GK project during the period and no further work is planned at this time. In the period ended April 30, 2012, Bitterroot spent \$Nil on the GK Project. During the year ended October 31, 2011, the Company wrote off \$3,003,829 of capitalized expenditures on the GK property.

*SPN Project, British Columbia*

There were no expenditures on the SPN project during the period and no further work is planned at this time. In the period ended April 30, 2012, Bitterroot spent \$Nil on the SPN Project. During the year ended October 31, 2011, the Company wrote off \$527,664 of capitalized expenditures on the GK property.

## SUMMARY OF FINANCIAL RESULTS

### Current quarter and year to date

#### *Revenues*

Due to the Company's status as an exploration and development stage mineral resource company and a lack of commercial production from its properties, the Company currently does not have any revenues from its operations.

#### *General and administrative expenses*

During the six months ended April 30, 2012, the Company recorded a loss of \$4,947,759 (\$0.05 per share) compared to a loss of \$329,914 (\$0.00 per share) for the six months ended April 30, 2011. The increase is mainly due to the loss on sale of exploration and evaluation assets of \$4,630,099.

General and administrative expenses were \$233,747 for the six months ended April 30, 2012 compared to \$353,012 for the six months ended April 30, 2011. Expenses details are as follows:

- Office and printing of \$38,230 (2011 - \$78,412), professional fees of \$25,128 (2011 - \$46,822), property investigation of \$nil (2011 - \$47,854), regulatory fees of \$nil (2011 - \$8,405) - The decrease in expenses are mainly the result of the decreased office staff salary payments in the current period compared last year's period.

## SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with April 30, 2012.

	<b>April 30, 2012 IFRS*</b>	<b>January 31, 2012 IFRS*</b>	<b>October 31, 2011 IFRS*</b>	<b>July 31, 2011 IFRS*</b>
Revenue	\$ nil	\$ nil	\$ nil	\$ nil
Earnings (loss) for the period	(247,179)	(4,700,580)	(3,177,793)	(45,583)
Exploration and evaluation assets	5,911,256	6,894,178	11,296,750	14,392,081
Total assets	7,718,199	7,456,575	12,143,747	14,710,070
Income (loss) per share	(0.00)	(0.05)	(0.04)	(0.00)

	April 30, 2011 IFRS*	January 31, 2011 IFRS*	October 31, 2010 IFRS*	July 31, 2010 Canadian GAAP*
Revenue	\$ nil	\$ nil	\$ nil	\$ nil
Earnings (loss) for the period	(177,717)	(152,197)	(3,140,433)	(80,868)
Exploration and evaluation assets	14,000,708	13,794,393	13,503,868	15,655,346
Total assets	14,611,137	14,769,653	14,252,645	16,797,226
Income (loss) per share	(0.00)	(0.00)	(0.04)	(0.00)

*\*These amounts have not been audited. Refer to Note 17 in the unaudited condensed interim financial statements for the six months period ended April 30, 2012 for a reconciliation of Canadian GAAP to IFRS.*

During the quarter ended January 31, 2012, the Company recorded a writedown of its Mineral Creek Project of \$4,571,640.

During the quarter ended October 31, 2011, the Company ceased exploration on its GK and SPN properties and wrote-off \$3,531,493 of costs related to these exploration and evaluation assets.

During the quarter ended October 31, 2010, the Company wrote-off \$2,541,697 on three of its exploration and evaluation assets.

## **FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES**

As at April 30, 2012, the Company had cash of \$1,467,337, accounts payable and accrued liabilities of \$331,182 and working capital of \$1,423,857. Included in accounts payable and accrued liabilities is \$313,654 for repayment of disputed BCMETC refunds for the years ending October 31, 2006, 2007, 2008, 2009 and 2010.

In November, 2010, the Company received \$770,000 from the issuance of 7,000,000 flow-through shares from a private placement.

In June, 2011, the Company received \$209,000 from the issuance of 2,322,220 shares from a private placement.

In October, 2011, the Company received \$887,750 from the issuance of 17,635,000 shares from a private placement.

In April, 2012, the Company sold mineral claims comprising its Mineral Creek Project and the related data and equipment for a purchase price of \$1,000,000. In conjunction with the sale, the Company received \$500,000 from the issuance of 10,000,000 shares from a private placement.

## **RELATED PARTY TRANSACTIONS**

The following is a summary of related party transactions and balances for the periods ended April 30, 2012 and 2011:

- (a) Management fees of \$48,000 (2011 - \$48,000) were incurred from a company controlled by a director in common.
- (b) Share-based payments includes stock options granted to directors and officers recorded at a fair value of \$93,213 (2011 - \$56,095).

## **FINANCIAL INSTRUMENTS AND RISKS**

### **Capital 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 share capital 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 short-term prospectuses and private placements, or return capital to shareholders. As at April 30, 2012, the Company does not have any debt and is not subject to externally imposed capital requirements.

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, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

### **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 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 consist of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

## **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 cash, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash and reclamation deposits with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The receivables balance mainly consists of GST/HST recoverable and a holdback receivable. There is ongoing review to evaluate the credit worthiness of these counterparties. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and, receivables and reclamation deposits.

## **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. A strengthening (weakening) of the Canadian dollar against the US dollar of 10% would not have a significant effect on net loss.

## **Interest rate risk**

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest, 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 as they are generally held with large financial institutions.

## **Price risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

## **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

*Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2* – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

*Level 3* – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments.

## **RISKS AND UNCERTAINTIES**

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operation risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing government law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian dollar and the United States dollar, which are beyond the Company's control.
- Regulatory risks include the possible delay in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filing, the introduction ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing and the resulting potential for accounting errors which may lead to fines, interest charges and cash calls.

Bitterroot's ability to meet its ongoing financial obligations will be determined by management's success in acquiring exploration and evaluation assets, 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. Details of funding commitments on the Company's exploration and evaluation assets are disclosed in Note 5 of the Condensed Consolidated Interim Financial Statements for the period ended April 30, 2012.

## **TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")**

Please refer to the April 30, 2012 unaudited condensed consolidated interim financial statements on [www.sedar.com](http://www.sedar.com) for details on the Company's transition to IFRS:

- Note 3 – Significant Accounting Policies.
- Note 17 – First Time Adoption of IFRS.

## OUTSTANDING SHARES, STOCK OPTIONS AND WARRANTS

The authorized share capital of the Company consists of an unlimited number of common shares.

As of June 20, 2012, the Company has the following outstanding:

- 112,735,713 common shares
- Stock options:

<b>Number of Options</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
505,000	0.35	September 14, 2012
300,000	0.36	February 7, 2013
415,000	0.76	June 24, 2013
59,500	0.26	September 17, 2013
735,000	0.13	February 9, 2014
1,010,000	0.17	July 31, 2014
670,000	0.12	December 21, 2014
570,000	0.10	March 22, 2015
200,000	0.10	July 9, 2015
200,000	0.10	September 2, 2015
750,000	0.12	January 13, 2016
655,000	0.13	April 28, 2016
2,310,000	0.10	January 17, 2017
<b>8,379,500</b>		

- Warrants:

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
329,454	0.11	November 25, 2012
1,261,110	0.15	June 24, 2013
5,600,000	0.10	April 24, 2013
18,543,100	0.10	October 27, 2013
<b>25,733,644</b>		

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

The Company continues to evaluate property acquisitions and dispositions, actively target sources of additional financing through alliances with financial, exploration and mining entities and to explore and develop its exploration and evaluation assets. Should it enter into

agreements over new properties, it may be required to make cash payments and complete work expenditure commitments.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual reports could differ from management's estimates.

## **CONTINGENCIES**

There are no contingent liabilities.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **Changes in Internal Control over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited financial statements and respective accompanying Management's Discussion & Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## **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.

## **OTHER MD&A REQUIREMENTS**

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DIRECTORS AND OFFICERS**

Michael S. Carr, *President & Director*  
Terence S. Ortslan, *Director*  
George W. Sanders, *Director*  
Barney Magnusson, *CFO*