BITTERROOT RESOURCES LTD.
MANAGEMENT DISCUSSION & ANALYSIS
For the period ended July 31, 2012
As of September 28, 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) claims. In Nunavut, Bitterroot owns a 100 percent interest in the Windy (Au) claims.

During and subsequent to the period ended July 31, 2012, base metals and gold prices declined, but have rallied since early September. 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 July 31, 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 or on the Company's website (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 September 28, 2012.

SUMMARY OF ACTIVITIES

In the nine month period ended July 31, 2012, the majority of Bitterroot Resources Ltd.'s Canadian exploration and evaluation assets expenditures was for an aeromagnetic survey on the Windy property and legal and consulting fees incurred during the sale of the Mineral Creek property. In Michigan the main expenditure was for an aeromagnetic survey. Exploration and evaluation assets expenditures in the period were $464,932. Expenses (net of share-based payments) were $202,709.

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, a 5,566 line-kilometre aeromagnetic and VLF-EM survey was completed in the 3rd quarter, which identified eight new nickel/copper/PGM targets on Bitterroot's mineral rights. These targets are prospective for Ni/Cu/PGM-bearing sulphides similar to Rio Tinto's high-grade Eagle deposit (3.2 million tonnes @ 3.89% Ni and 3.04% Cu). The Eagle deposit is located in a similar geological setting, approximately 75 km northeast of the area covered by Bitterroot's aeromagnetic survey. Recent drilling and land acquisition activities by Rio Tinto has occurred on parcels adjoining Bitterroot's mineral rights and several of Rio Tinto's drill collars are located within 180 metres of Bitterroot's mineral rights.

Bitterroot controls a growing portfolio of nickel/copper/PGM exploration targets within its 360 square miles of wholly-owned mineral rights in the Upper Peninsula of Michigan. Management is currently assessing various financing and industry-related options for the exploration of these targets.

In the period ended July 31, 2012, Bitterroot spent $109,290 on its Michigan exploration projects, mainly on the aeromagnetic survey and mineral leases. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the technical content of this news release.

Windy Project, Nunavut

In the quarter ended July 31, 2012, Bitterroot's geophysical contractor completed a 5,722 line-kilometre aeromagnetic, VLF-EM and radiometric survey on the Windy Property. The survey has identified the continuation of structural and stratigraphic trends which are present on Prosperity Goldfields' adjoining Kiyuk Gold Property. Results from the survey will be used to plan Bitterroot's 2013 exploration program on the Windy property. Drilling by Prosperity Goldfields on its neighboring Kiyuk property has identified four significant zones of gold mineralization, each with multiple gold-bearing intervals, plus several encouraging new prospects have also been identified in 2012 by Prosperity. A detailed analysis of Bitterroot's aeromagnetic, VLF-EM and radiometric data is expected to be presented to management in October.

In the period ended July 31, 2012, Bitterroot spent $185,163 on the Windy property, mainly on the airborne geophysical survey and geological consulting. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the technical content of this disclosure.

Mineral Creek Project, British Columbia

In the nine month period ended July 31, 2012, Bitterroot spent $128,372 on the Mineral Creek project, mainly on geological consulting and legal costs. In April 2012, the Company sold the mineral claims comprising its Mineral Creek Project and related data and equipment for $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 $4,677,366 on the sale of the Mineral Creek exploration and evaluation assets

North Brenda Project, British Columbia

Recently-completed soil sampling, mapping and prospecting has expanded the size of multi-element soil geochemical anomalies located in recently logged areas. Additional assay data is pending.

In the period ended July 31, 2012, Bitterroot spent $42,107 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 July 31, 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 July 31, 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 SPN project.

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 nine months ended July 31, 2012, the Company recorded a loss of $4,952,418 ($0.05 per share) compared to a loss of $375,497 ($0.00 per share) for the nine months ended July 31, 2011. The increase is mainly due to the loss on the sale of exploration and evaluation assets of $4,648,639.

General and administrative expenses were $295,922 for the nine months ended July 31, 2012 compared to $432,553 for the nine months ended July 31, 2011. Expenses details are as follows:

- Office and printing of $65,249 (2011 - $104,173), professional fees of $31,178 (2011 - $69,161), property investigation of $nil (2011 - $49,804), 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.

During the three months ended July 31, 2012, the Company recorded a loss of $4,659 ($0.00 per share) compared to a loss of $45,583 ($0.00 per share) for the three months ended July 31, 2011.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with July 31, 2012.

	July 31, 2012 ***IFRS****	**April 30, 2012** ***IFRS****	**January 31, 2012** ***IFRS****	**October 31, 2011** ***IFRS****
Revenue	$ nil	$ nil	$ nil	$ nil
Earnings (loss) for the period	(4,659)	(247,179)	(4,700,580)	(3,177,793)
Exploration and evaluation assets	6,084,316	5,911,256	6,894,178	11,296,750
Total assets	7,400,049	7,718,199	7,456,575	12,143,747
Income (loss) per share	(0.00)	(0.00)	(0.05)	(0.04)

	July 31, 2011 *IFRS**	April 30, 2011 IFRS*	January 31, 2011 IFRS*	October 31, 2010 IFRS*
Revenue	$ nil	$ nil	$ nil	$ nil
Earnings (loss) for the period	(45,583)	(177,717)	(152,197)	(3,140,433)
Exploration and evaluation assets	14,392,081	14,000,708	13,794,393	13,503,868
Total assets	14,710,070	14,611,137	14,769,653	14,252,645
Income (loss) per share	(0.00)	(0.00)	(0.00)	(0.04)

**These amounts have not been audited. Refer to Note 17 in the unaudited condensed interim financial statements for the nine months period ended July 31, 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 July 31, 2012, the Company had cash of $1,159,080, accounts payable and accrued liabilities of $87,691 and working capital of $1,196,679.

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.

In September, 2012, the Company received $40,000 from the issuance of 400,000 common shares upon the exercise of warrants.

RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions and balances for the periods ended July 31, 2012 and 2011:

(a) Management fees of $72,000 (2011 - $72,000) 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 July 31, 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 accrued interest receivable, HST recoverable and cost recoveries receivable for the METC investment tax credit. 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 July 31, 2012.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Please refer to the July 31, 2012 unaudited condensed consolidated interim financial statements on 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 September 28, 2012, the Company has the following outstanding:

- 113,135,713 common shares

- Stock options:

Number of Options	Exercise Price ($)	Expiry Date
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 30, 2014
670,000	0.12	December 20, 2014
570,000	0.10	March 21, 2015
200,000	0.10	July 8, 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
1,780,000	0.105	September 9, 2017
9,654,500		

- Warrants:

Number of Warrants	Exercise Price ($)	Expiry Date
329,454	0.11	November 24, 2012
1,261,108	0.15	June 24, 2013
5,600,000	0.10	April 24, 2013
18,143,100	0.10	October 27, 2013
25,333,662		

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.

DIRECTORS AND OFFICERS

Michael S. Carr, *President & Director*
Terence S. Ortslan, Secretary & *Director*
George W. Sanders, *Director*
Barney Magnusson, *Chief Financial Officer*