
BITTERROOT RESOURCES LTD.

**UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

JULY 31, 2004

*These Financial Statements have been prepared by Management and
have not been the subject of a review by the Company's Auditors.*



NEMETH THODY ANDERSON

Chartered Accountants

NOTICE TO READER

We have compiled the balance sheet of Bitterroot Resources Ltd. as at July 31, 2004, and the statements of operations and deficit, and changes in cash flow for the nine month period then ended from information provided by management. We have not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Nemeth Thody Anderson

Chartered Accountants
Vancouver, B.C.
September 15, 2004

BITTERROOT RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED – SEE NOTICE TO READER)

	July 31 2004	October 31 2003
	\$	\$
ASSETS		
Current Assets		
Cash	589,411	88,044
Accounts receivable	144,536	4,040
Prepaid expenses	-	1,271
	<u>733,947</u>	<u>93,355</u>
Reclamation Deposit	5,804	5,804
Resource Properties (Note 2)	4,171,455	2,706,577
Property, Plant And Equipment	<u>1,541</u>	<u>1,902</u>
	<u>4,912,747</u>	<u>2,807,638</u>

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities (Note 5(b))	14,671	9,566
Future Income Taxes (Note 4)	<u>424,234</u>	<u>-</u>
	<u>438,905</u>	<u>9,566</u>

SHAREHOLDERS' EQUITY

Share Capital (Note 3)	7,626,583	6,077,229
Stock Options	750,667	66,884
Deficit	<u>(3,903,408)</u>	<u>(3,346,041)</u>
	<u>4,473,842</u>	<u>2,798,072</u>
	<u>4,912,747</u>	<u>2,807,638</u>

APPROVED BY THE DIRECTORS

(Signed) Michael S. Carr
Michael S. Carr, Director

(Signed) George W. Sanders
George W. Sanders, Director

Refer to accompanying notes.

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(UNAUDITED – SEE NOTICE TO READER)

	Three Month Period Ended July 31 2004	Three Month Period Ended July 31 2003	Nine Month Period Ended July 31 2004	Nine Month Period Ended July 31 2003
	\$	\$	\$	\$
Revenue				
Interest income	2,046	-	5,792	-
Expenses				
Amortization	120	146	361	437
Foreign exchange loss (gain)	(993)	(160)	(516)	66
Interest and bank charges	317	224	952	754
Management fees	14,000	12,000	38,000	36,000
Office, printing and travel	7,720	3,080	28,750	18,166
Professional fees	4,654	2,706	21,199	19,574
Regulatory fees	398	600	15,102	6,391
Stock-based compensation	274,044	-	451,746	-
Transfer agent fees	4,563	759	7,565	5,227
	304,823	19,355	563,159	86,615
Loss Before Undernoted Item	(302,777)	(19,355)	(557,367)	(86,615)
Write-off of resource property	-	-	-	(182,322)
Net Loss For The Period	(302,777)	(19,355)	(557,367)	(268,937)
Deficit, Beginning Of Period	(3,600,631)	(3,237,956)	(3,346,041)	(2,988,374)
Deficit, End Of Period	(3,903,408)	(3,257,311)	(3,903,408)	(3,257,311)
Basic And Diluted Loss Per Share	(0.011)	(0.001)	(0.022)	(0.013)
Weighted Average Number Of Shares Outstanding	27,404,440	21,206,333	25,903,797	20,939,207

Refer to accompanying notes.

BITTERROOT RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOW
(UNAUDITED – SEE NOTICE TO READER)

	Three Month Period Ended July 31 2004	Three Month Period Ended July 31 2003	Nine Month Period Ended July 31 2004	Nine Month Period Ended July 31 2003
	\$	\$	\$	\$
Operating Activities				
Net loss for the period	(302,777)	(19,355)	(557,367)	(268,937)
Items not involving cash				
Amortization	120	146	361	437
Non-cash stock-based compensation	406,124	-	683,783	-
	103,467	(19,209)	126,777	(268,500)
Cash applied to changes in non-cash working capital items				
Accounts receivable	(129,880)	535	(140,496)	1,761
Prepaid expenses	1,271	-	1,271	-
Accounts payable and accrued liabilities	9,171	(3,873)	5,105	24,455
	(119,438)	(3,338)	(134,120)	26,216
	(15,971)	(22,547)	(7,343)	(242,284)
Financing Activity				
Share issuance, net	794,425	-	1,965,588	58,300
Investing Activities				
Purchase of property, plant and equipment	-	-	-	(344)
Resource properties, net	(852,989)	23,805	(1,456,878)	14,615
Write-off resource properties	-	-	-	182,322
	(852,989)	23,805	(1,456,878)	196,593
Decrease During the Period	(74,535)	1,258	501,367	12,609
Cash, beginning of period	663,946	12,547	88,044	1,196
Cash, End Of Period	589,411	13,805	589,411	13,805

Refer to accompanying notes.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2004
(UNAUDITED – SEE NOTICE TO READER)

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, 2003 and should be read in conjunction with the audited annual financial statements.

2. Resource Properties

The current period's expenditures consist of:

	Mistassini Quebec, Canada	GK Project B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$
Balance – October 31, 2003	98,009	15,495	2,593,073	2,706,577
Deferred costs during the period				
Aircraft charter	152,551	-	-	152,551
Acquisition of property	-	8,000	-	8,000
Consulting and professional	78,645	46,581	41,544	166,770
Drilling	224,499	-	66,899	291,398
Field supplies	39,470	12,939	3,958	56,367
Fuel	25,591	-	-	25,591
Geochemistry	2,154	40,002	520	42,676
Geophysics	247,414	-	214,738	462,152
Ground transportation	5,343	9,533	-	14,876
Leases, permits and claims	70,304	25,405	17,194	112,903
Other	2,513	1,480	3,563	7,556
Recovery of costs	-	-	(116,040)	(116,040)
Room and board	-	6,020	-	6,020
Stock-based compensation	117,484	87,153	27,400	232,037
Travel and freight	137	-	1,884	2,021
	966,105	237,113	261,660	1,464,878
Balance – July 31, 2004	1,064,114	252,608	2,854,733	4,171,455

3. Share Capital

(a) Authorized

The authorized share capital consists of 100,000,000 common shares without par value.

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

(b) Issued

	Number Of Shares	Value \$
Balance - October 31, 2003	22,274,811	6,077,229
Issued for cash pursuant to private placement	4,528,750	1,866,000
Issued to acquire GK property	100,000	8,000
Exercise of warrants	200,000	20,000
Exercise of options	624,000	66,400
Financing and share issuance costs	133,750	13,188
Future income taxes on flow-through expenditures renounced to shareholders	-	(424,234)
Balance – July 31, 2004	27,861,311	7,626,583

(c) Common Shares Reserved

At July 31, 2004, the Company had reserved a total of 2,746,032 common shares related to director and employee stock options:

Number Of Options	Exercise Price \$	Expiry Date
311,032	0.10	January 10, 2005
500,000	0.10	July 8, 2006
100,000	0.10	February 5, 2007
215,000	0.10	September 9, 2007
270,000	0.15	September 20, 2008
480,000	0.61	January 29, 2009
670,000	0.53	May 24, 2009
200,000	0.53	July 5, 2009

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

(c) Common Shares Reserved (Cont'd)

The weighted average grant-date fair value of options granted during the period ended July 31, 2004, was \$0.50 per option. Total compensation expense recognized for stock options granted during the period ended July 31, 2004 was \$683,783. Stock-based compensation of \$232,037 was recognized for the 490,000 options granted to consultants and \$451,746 was recognized for the 880,000 options granted to directors of the Company. The following assumptions were used for the Black Scholes Option Pricing Model:

	\$
Volatility percentage	152%
Risk-free interest rate	3.89%
Dividend yield	-
Expected life of options	5 years

(d) Warrants

The following share purchase warrants were outstanding at July 31, 2004:

Number Of Warrants	Exercise Price	Expiry Date
	\$	
1,000,000	0.30	October 23, 2005
2,125,000	0.60	June 30, 2005
163,500	0.50	June 30, 2005
1,000,000	0.60	December 5, 2004
1,000,000	0.60	December 5, 2004
	then at 0.70	December 5, 2005
234,375	0.80	December 22, 2004

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4. Income Taxes

Income tax expense attributable to income from operations was \$Nil for the period ended July 31, 2004 (2003 - \$Nil).

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at July 31, 2004, are presented below:

	2004
	\$
Future Tax Assets	
Net operating loss carry-forwards	338,788
Mineral properties	22,692
Capital loss carry-forwards	43,709
Property, plant and equipment	3,775
Valuation allowance	<u>(408,964)</u>
Net Future Tax Assets	-
Future Tax Liability	
Exploration expenditures renounced to shareholders	<u>424,234</u>
Net Future Tax Liability	<u>424,234</u>

The future income tax effect of eligible resource property expenditures funded by proceeds from the issuance of flow-through shares is charged to share issuance costs at the time the expenditures are renounced to shareholders.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the years in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the future tax asset, the Company will need to generate future taxable income of approximately \$1,200,000 prior to the expiration of the net operating loss carry-forwards starting in 2004. Taxable income for the nine month period ended July 31, 2004 was \$Nil. Based upon the level of historical taxable income and projections for future taxable income over the years which the future tax assets are deductible, management has provided a full valuation allowance for the future tax assets.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. Related Party Transactions

The following is a summary of related party transactions and balances for the nine month period ended July 31, 2004:

- (a) Management fees of \$38,000 (2003 - \$36,000) were incurred with a company controlled by a director in common with the Company.
- (b) Accounts payable at July 31, 2004, includes \$6,420 (2003 - \$68,886) due to a company controlled by a director in common with the Company.

BITTERROOT RESOURCES LTD. MANAGEMENT DISCUSSION & ANALYSIS

For the nine months ended July 31, 2004

As of September 28, 2004

INTRODUCTION

The following Management Discussion and Analysis (MD&A), prepared as of September 28, 2004, should be read in conjunction with Bitterroot Resources Ltd.'s (referred to throughout this document as "the Company" or "Bitterroot") unaudited financial statements for the nine month period ended July 31, 2004 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2003.

Bitterroot Resources Ltd. is a mineral resource company engaged directly and indirectly through its subsidiaries, in the acquisition and exploration of mineral properties. The Company is currently exploring its mineral properties in British Columbia, Quebec and Michigan for a variety of commodities, including gold, nickel, copper and uranium. The assets of Bitterroot include recorded mineral title interests covering approximately 461 square miles in the Upper Peninsula of Michigan, U.S.A. The Company currently leases 1,800 acres of mineral rights from the State of Michigan and has been granted prospecting permits covering 3,480 acres of US federal mineral rights in Michigan. In Quebec, the Company currently holds 197 claims covering approximately 10,440 hectares in the Mistassini region. In British Columbia, the Company has staked or optioned a total of 250 claim units, which comprise the GK project in the Beaverdell area of south central BC.

OVERALL PERFORMANCE

Results of Operations

Mistassini Region, Quebec

Nickel/Copper/PGE

In January 2004, Bitterroot retained Fugro Airborne Surveys to fly 1,000 line-kilometres of GEOTEM surveys over two of its claim blocks located approximately 325 kilometres north of Chicoutimi, Quebec. Final geophysical data products were received from Fugro in April. Follow-up prospecting, ground-based horizontal loop EM, magnetic and gravity surveys were done in June. A number of coincident, overburden-covered magnetic/EM/gravity targets were confirmed by this work. In July, an eight-hole 1,714-metre drilling program was carried out on the Twins targets. Seven holes were drilled on the South Twin targets and one hole tested the North Twin target. Drilling of four highly conductive and magnetic zones in the South Twin area intersected numerous zones of massive, semi-massive and disseminated pyrrhotite/magnetite/pyrite mineralization. These zones occur on the margins of granitic intrusions, which intrude iron-rich siliceous metasedimentary and ultramafic rocks. Assay results from over 400 core samples

returned only trace amounts of base and precious metals from the iron sulphide- and oxide-rich zones, which appear to be causing the geophysical anomalies. The North Twin was tested with one hole, which intersected an unmineralized mafic intrusion. Several other geophysical targets remain untested in both target areas.

In the nine months ended July 31, 2004, Bitterroot spent \$848,621 on the Mistassini project (excluding stock-based compensation charges related to granting of stock options to technical consultants), mainly on geophysical surveys, drilling, aircraft charter and technical consultants. The scope of further work and expenditures on the Company's projects in the Mistassini region will be determined following compilation of all data collected in 2004. Mr. Jan Klein, P.Eng, P.Geo. is the Qualified Person responsible for interpretation of the geophysical data. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of the 2004 drilling and prospecting program.

GK Project, British Columbia

Gold/Silver

In April 2004, Bitterroot initiated a C\$300,000 program of detailed soil sampling, geological mapping and trenching to follow-up the first phase of 2003 reconnaissance soil sampling and prospecting. Bitterroot's initial soil sampling identified two areas greater than 200 metres wide with highly anomalous levels of gold, silver, arsenic and copper. Since late April, over 1,700 soil samples have been collected on 50-metre spaced grid intervals and approximately 300 reconnaissance samples have been collected on roads at 100-metre spacing. The results received to date are very encouraging and have defined a 2.5 square kilometer area of the property with numerous coincident zones of anomalous gold (Au) and arsenic (As) in soil. More specifically, 68 soil samples contained 52-114 ppb Au, 40 soil samples contained 114-278 ppb Au and 28 soil samples contained 278-3,290 ppb Au. Coincident with these gold anomalies, 88 soil samples contained 136-236 ppm As, 55 soil samples contained 236-427 ppm As and 37 samples contained 427-3,220 ppm As. Additional soil sampling is underway to define the limits of these anomalous areas. In September, a 39 line-kilometer IP survey was initiated to define covered sulphide-bearing zones within the area of anomalous soils. A 1,500 metre-drilling program targeting coincident IP and soil geochemical anomalies is planned to start in late October 2004. The road-accessible GK property continues to demonstrate good potential to host large-tonnage, intrusion-related Au deposits.

In the nine months ended July 31, 2004, Bitterroot spent \$141,960 on the GK project (excluding stock-based compensation charges related to granting of stock options to technical consultants), mainly on geochemical surveys, claim staking and technical consultants. Management expects to finance the estimated \$225,000 costs of the upcoming drilling program out of working capital. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of the 2004 field program. Mr. Jan Klein, P.Eng, P.Geo. is the Qualified Person responsible for interpretation of the geophysical data.

Upper Peninsula, Michigan

Copper

In January 2004, Bitterroot retained Fugro Airborne Surveys to conduct a 1,000 line-kilometre GEOTEM airborne geophysical survey over a previously untested portion of favourable stratigraphy in the Keweenaw Peninsula. Within the survey area, at least 27 copper mines, shafts, pits and prospects dating from the late 19th century/early 20th century have been located. Final geophysical data products were received from Fugro in late March and interpreted in April. In June 2004, two 150-metre core holes tested a conductive zone on the Company's 100%-owned mineral rights. Core logging and sampling determined that the conductor was caused by an unmineralized sedimentary horizon within the targeted volcanic stratigraphy. The GEOTEM survey has also identified other conductive targets within the survey block. Additional drilling may be done in 2005, subject to ground follow-up and receipt of State leases. The date of granting of these leases is currently unknown, as the State of Michigan has temporarily suspended its metallic minerals leasing program pending a review of its leasing policies and procedures. No further expenditures are planned on this project until the receipt of these leases. Mr. Glenn Scott, P.Geo is the Qualified Person responsible for the design and execution of the core logging and sampling program. Mr. Jan Klein, P.Eng, P.Geo. is the Qualified Person responsible for interpretation of the geophysical data.

Uranium

In February and May, Bitterroot's geophysical contractor conducted horizontal loop EM surveys on several targets prior to the first phase of the 2004 drilling program. In June, one geophysical target was drill-tested with three 100-metre core holes. Drilling intersected a 40-metre interval of graphitic metasediments beneath a weathered Proterozoic unconformity. Geochemical results from the core samples are expected in the fourth quarter. This information will help to characterise the distribution of pathfinder elements within the various rock types intersected. A second phase of drilling is planned to test another geophysical target, subject to receipt of State of Michigan metallic mineral leases. The date of granting of these leases is currently unknown, as the State of Michigan has temporarily suspended its metallic minerals leasing program pending a review of its leasing policies and procedures. Over 1,000 line kilometres of additional GEOTEM surveys will be flown in the fourth quarter. Cameco Corporation is funding the 2004 exploration program, which includes geophysical surveys, geological mapping, geochemical sampling and drilling. In May 2004, Cameco and Bitterroot agreed to increase the size of the area of interest of their option/joint venture agreement by 184 square miles to approximately 784 square miles. Cameco is required to finance \$350,000 of expenditures on this project in 2004, which will cover currently planned geophysical surveys and drilling. Mr. Ted O'Connor, P.Geo is the Qualified Person responsible for the design and execution of the core-sampling program.

Nickel/Copper/PGE

The Company is pursuing nickel/copper/platinum/palladium targets in the Upper Peninsula of Michigan. Kennecott Exploration Company recently announced that its Eagle Prospect hosts a high-value Ni/Cu/Co/PGE resource (5 million tonnes @ 3.68% Ni, 3.06% Cu, 0.1% Co and

approximately 3 g/tonne Pt+Pd+Au). Bitterroot's management believes that there is good potential for discovery of additional high-value deposits of this type in the immediate vicinity of the Eagle Prospect and elsewhere within the Upper Peninsula. The extent of Bitterroot's 2004 Ni/Cu/PGE exploration activities and expenditures in Michigan will be determined by management's ongoing land acquisition efforts.

In the nine months ended July 31, 2004, Bitterroot spent \$350,300 on its Michigan projects (excluding stock-based compensation charges related to granting of stock options to technical consultants), mainly on geophysical surveys, drilling, mineral leases and technical consultants.

Financial Condition

As at July 31, 2004, Bitterroot had working capital of \$719,276, including \$589,411 in cash, \$60,768 due from GST refunds and \$83,768 due from Cameco Corporation for mineral exploration expenditures. Resource properties had a book value of \$4,171,455, compared to \$2,706,577 at the beginning of the year. For the nine month period ended July 31, 2004, cash inflows exceeded cash outflows by \$501,367, which when combined with the \$88,044 cash balance from year end 2003 results in an ending cash position of \$589,411. The cash inflows were a result of share issuances for net proceeds of \$1,965,588. Cash outflows comprised principally of resource property expenditures of \$1,456,878, and general and administrative costs of \$111,413 (net of stock-based compensation).

Summary of Financial Results

During the nine month period ended July 31, 2004, the Company had a net loss of \$557,367 (\$0.022 loss per share) compared to a loss of \$268,937 (\$0.013 loss per share) in the same period of the prior year. The prior year's results did not include stock-based compensation charges, but did include a loss of \$182,322 for the write-off of resource property expenditures. Excluding stock-based compensation costs, the net loss for the nine month period ended July 31, 2004, was \$105,621, compared to \$86,615 for the same period in 2003, excluding the resource property write-off. On this basis, the increased loss in the current year is mainly due to increased office, printing and travel costs and regulatory fees, which were partially offset by interest income of \$5,792 in the first nine months of 2004.

During the three month period ended July 31, 2004, the Company had a net loss of \$302,777 (\$0.011 loss per share) compared to a loss of \$19,355 (\$0.001 loss per share) in the same period of the prior year. Excluding stock-based compensation costs, the net loss for the three month period ended July 31, 2004, was \$28,733, compared to \$19,355 for the same period in 2003. On this basis, the increased loss in the third quarter of the current year is mainly due to increased office, printing and travel costs and transfer agent fees, which were partially offset by interest income of \$2,046 in the third quarter of 2004.

In both the nine month and three month periods ended July 31, 2004, the increased loss (net of stock-based compensation charges) can be attributed to a higher level of corporate finance activity and activities related to management of significantly increased exploration budgets, compared to the similar periods in 2003.

SELECTED ANNUAL INFORMATION

	October 31, 2003	October 31, 2002	October 31, 2001
Total revenues	\$ -	\$ -	\$ -
Loss before discontinued operations and extraordinary items	(357,667)	(104,228)	(111,274)
As above, per-share, basic and diluted	(0.017)	(0.006)	(0.006)
Net loss	(357,667)	(104,228)	(111,274)
As above, per-share, basic and diluted	(0.017)	(0.006)	(0.006)
Total Assets	2,807,638	2,931,326	2,767,265
Long-term financial Liabilities	-	-	-
Cash dividends/share	-	-	-

SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with July 31, 2004. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

Quarter Ended:

	Quarter Ended Jul. 31 2004	Quarter Ended Apr. 30 2004	Quarter Ended Jan. 31 2004	Quarter Ended Oct. 31 2003
Interest income	2,046	2,516	1,230	-
Income (loss) for the period	(302,777)	(38,967)	(215,623)	(88,730)
General and administrative	(304,823)	(41,483)	(39,151)	(30,445)
Stock-based compensation	(274,044)	-	(177,702)	(58,285)
Write-off of resource property	-	-	-	-
Net income (loss) per share basic and diluted	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.00)

Quarter Ended:

	<u>Quarter Ended Jul. 31 2003</u>	<u>Quarter Ended Apr. 30 2003</u>	<u>Quarter Ended Jan. 31 2003</u>	<u>Quarter Ended Oct. 31 2002</u>
Interest Income	-	-	-	-
Loss for the period	(19,355)	(223,681)	(25,901)	(21,458)
General and administrative	(19,355)	(41,359)	(25,901)	(20,806)
Stock-based compensation	-	-	-	-
Write-off of resource property	-	(182,322)	-	(652)
Net Loss per share, basic and diluted	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.00)

LIQUIDITY

During the period ended July 31, 2004, the Company received \$2,010,400 (before commissions and financing charges) from the following,

- \$20,000 from the exercise of 200,000 common share purchase warrants,
- \$66,400 from the exercise of 624,000 stock options,
- \$400,000 from a private placement of 1,000,000 units at \$0.40, consisting of one common share and one common share purchase warrant,
- \$400,000 from a private placement of 1,000,000 units at \$0.40, consisting of one flow through common share and one common share purchase warrant,
- \$300,000 from a private placement of 468,750 units at \$0.64, consisting of one flow through common share and one half of a common share purchase warrant.
- \$824,000 from a private placement of 2,060,000 units at \$0.40, consisting of one common share and one common share purchase warrant. A total of 1,227,500 of these shares are flow-through shares

The Company's working capital at July 31, 2004 was \$719,276, compared to working capital of \$83,789 at October 31, 2003. Current liabilities were \$14,671, consisting of accounts payable incurred in the normal course of business. A future income tax liability of \$424,234 is related to the issuance of flow-through shares and will not impact the Company's future solvency as a non-revenue generating exploration company.

During the nine month period ended July 31, 2004, the Company received proceeds, net of commissions, of \$1,965,588 from four private placements and the exercise of 200,000 warrants and 624,000 stock options. Included in these proceeds was \$1,191,000 of flow-through share financing, \$300,000 of which is currently allocated to the GK project in British Columbia.

There are currently 5,522,875 common share purchase warrants outstanding, which if exercised prior to December 5, 2004, would generate proceeds to the Company of \$3,044,250. There are

also currently 2,746,032 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$907,003.

Bitterroot has sufficient cash reserves to fund its remaining 2004 exploration programs in Michigan (funded by Cameco) and British Columbia (funded by proceeds from the previous sales of flow-through shares). Depending on the results of land acquisition activities and drilling, additional capital may be required to fund expanded exploration programs. The Company also has sufficient working capital to fund its 2005 operating expenses. Additional funding will be required for exploration programs in 2005. In the longer term, Bitterroot's ability to meet its ongoing obligations will be determined by management's success in acquiring mineral properties, obtaining equity financing, negotiating joint venture arrangements, and ensuring the exercise of outstanding share purchase warrants and options. Despite current favorable markets for junior resource issuers due to strong commodity prices, there can be no assurance that the Company will be able to continue to raise funds, in which case it may be unable to meet its obligations. Should Bitterroot be unable to realize on 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 period ended July 31, 2004.

- The Company incurred management fees of \$38,000 to a company controlled by the President of the Company.
- The Company had accounts payable of \$6,420 due to a company controlled by the President the Company.

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by related parties.

FORWARD LOOKING STATEMENTS

This MD&A may contain forward-looking statements including, but not limited to, comments regarding the timing and content of upcoming work programs, geological interpretations, receipt of property titles, potential mineral recovery processes etc. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements.

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, 2004

27,861,311 common shares with a recorded value of \$7,626,583

c) Options as at July 31, 2004

Number of Shares	Exercise Price	Expiry Date
311,032	\$ 0.10	January 10, 2005
500,000	0.10	July 8, 2006
100,000	0.10	February 5, 2007
215,000	0.10	September 9, 2007
270,000	0.15	September 20, 2008
480,000	0.61	January 29, 2009
670,000	0.53	May 24, 2009
200,000	0.53	July 5, 2009

d) Warrants as at July 31, 2004

Number of Shares	Exercise Price	Expiry Date
1,000,000	\$ 0.30	October 23, 2005
1,000,000	0.60	December 5, 2004
1,000,000	0.60	December 5, 2004
	then at 0.70	December 5, 2005
234,375	0.80	December 22, 2004
2,125,000	0.60	June 30, 2005
163,500	0.50	June 30, 2005

Stock-based Compensation

The weighted average grant-date fair value of options granted during the period ended July 31, 2004 was \$0.50 per option. Total compensation expense recognised for stock options granted during the period ended July 31, 2004 was \$683,783. Stock-based compensation of \$232,037 was recognised for the 490,000 options granted to consultants and \$451,746 was recognised for the 880,000 options granted to the directors of the Company.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The 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 or the accompanying financial statements.

Additional information on the Company, including its most recent Annual Information Form and audited financial statements can be found on SEDAR at www.sedar.com.