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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2005**  
*(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, 2005 and for nine months ended July 31, 2005 and 2004, 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.

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

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	July 31 2005	October 31 2004
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	962,351	553,863
Accounts receivable - other	67,318	20,324
Prepaid expenses	1,333	25,520
	<u>1,031,002</u>	<u>599,707</u>
<b>Reclamation Deposit</b>	5,804	5,804
<b>Resource Properties</b> (Note 2)	4,009,325	3,277,906
<b>Equipment</b> (Note 3)	20,471	23,188
	<u>5,066,602</u>	<u>3,906,605</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	63,185	141,503
<b>Future Income Taxes</b> (Note 8)	85,468	-
	<u>148,653</u>	<u>141,503</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 4)	8,980,186	7,809,319
<b>Contributed Surplus</b>	934,568	780,925
<b>Deficit</b>	<u>(4,996,805)</u>	<u>(4,825,142)</u>
	<u>4,917,949</u>	<u>3,765,102</u>
	<u>5,066,602</u>	<u>3,906,605</u>

**APPROVED BY THE DIRECTORS**

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

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

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

	Three Month Period Ended July 31 2005 \$	Three Month Period Ended July 31 2004 \$	Nine Month Period Ended July 31 2005 \$	Nine Month Period Ended July 31 2004 \$
<b>Expenses</b>				
Amortization	1,904	120	5,548	361
Exploration	-	-	9,555	-
Foreign exchange (gain) loss	1,407	(993)	(157)	(516)
Interest and bank charges	325	317	809	952
Management fees	18,000	14,000	54,000	38,000
Office, printing and travel	17,303	7,720	51,303	28,750
Professional fees	19,349	4,654	56,659	21,199
Regulatory fees	4,867	398	10,746	15,102
Stock-based compensation	-	274,044	153,643	451,746
Transfer agent fees	1,557	4,563	8,063	7,565
<b>Loss Before Other Items</b>	64,712	304,823	350,169	563,159
<b>Other Items</b>				
Interest income	870	2,046	2,704	5,792
Write-off of resource property (Note 2)	(15,185)	-	(17,989)	-
Recovery of resource properties written-off	-	-	12,198	-
	(14,315)	2,046	(3,087)	5,792
<b>Loss Before Income Taxes</b>	(79,027)	(302,777)	(353,256)	(557,367)
Future income tax recovery	(6,351)	-	(181,593)	-
<b>Net Loss For The Period</b>	(72,676)	(302,777)	(171,663)	(557,367)
Deficit, beginning of period	(4,924,129)	(3,600,631)	(4,825,142)	(3,346,041)
<b>Deficit, End Of Period</b>	(4,996,805)	(3,903,408)	(4,996,805)	(3,903,408)
<b>Basic And Diluted Loss Per Share</b>	(0.00)	(0.01)	(0.01)	(0.02)
<b>Weighted Average Number Of Shares Outstanding</b>	30,488,425	27,404,440	29,381,059	25,903,797

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

	Three Month Period Ended July 31 2005 \$	Three Month Period Ended July 31 2004 \$	Nine Month Period Ended July 31 2005 \$	Nine Month Period Ended July 31 2004 \$
<b>Operating Activities</b>				
Net loss for the period	(72,676)	(302,777)	(171,663)	(557,367)
Items not involving cash				
Amortization	1,904	120	5,548	361
Write-off of resource properties	15,185	-	17,990	-
Stock-based compensation	-	406,124	153,643	683,783
Future income tax recovery	(6,351)	-	(181,593)	-
	(61,938)	103,467	(176,075)	126,777
Changes in non-cash working capital				
Accounts receivable - other	49,309	(129,880)	(46,994)	(140,496)
Prepaid expenses	(1,333)	1,271	24,187	1,271
Accounts payable	31,589	9,171	(78,319)	5,105
	79,565	(119,438)	(101,126)	(134,120)
	17,627	(15,971)	(277,201)	(7,343)
<b>Financing Activity</b>				
Share issuance	860,414	794,425	1,287,929	1,965,588
<b>Investing Activities</b>				
Purchase of property, plant and equipment	(1,104)	-	(2,831)	-
Resource property expenditures, net of recoveries	(229,921)	(852,989)	(599,409)	(1,456,878)
	(231,025)	(852,989)	(602,240)	(1,456,878)
<b>Increase During The Period</b>	647,016	(74,535)	408,488	501,367
Cash, beginning of period	315,335	663,946	553,863	88,044
<b>Cash, End Of Period</b>	962,351	589,411	962,351	589,411

**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2005  
(UNAUDITED - PREPARED BY MANAGEMENT)

**1. Basis Of Presentation**

These interim financial statements have been prepared using the same accounting policies as used in the financial statements for the year ended October 31, 2004 and should be read in conjunction with the audited annual financial statements.

**2. Resource Properties**

	Mistassini Quebec, Canada	GK Project B.C., Canada	Mineral Creek Property B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$		\$	\$
<b>Balance – October 31, 2004</b>	-	450,890	-	2,827,016	3,277,906
Expenditures during the year					
Acquisition costs	-	31,000	219,000	-	250,000
Aircraft charter	-	-	8,693	-	8,693
Claims, leases and permits	1,325	4,425	1,325	9,337	16,412
Consulting and professional	531	97,642	47,331	2,103	147,607
Drilling	-	211,046	49,509	-	260,555
Field supplies	242	3,028	2,420	40	5,730
Fuel	-	1,151	2,102	-	3,253
Geochemistry	-	19,121	83	349	19,553
Geophysics	13,735	771	-	114,954	129,460
Ground transportation	-	5,553	3,228	691	9,472
Other	2,156	18,252	394	3,619	24,421
Room and board	-	12,788	2,539	879	16,206
Travel and freight	-	5,451	1,459	1,519	8,429
Recovery of costs	-	-	-	(150,383)	(150,383)
	17,989	410,228	338,083	(16,892)	749,408
	17,989	861,118	338,083	2,810,124	4,027,314
Write-off of resource properties	(17,989)	-	-	-	(17,989)
<b>Balance – July 31, 2005</b>	-	861,118	338,083	2,810,124	4,009,325

(a) Michigan, U.S.A.

(i) Mineral Rights, Michigan, U.S.A.

The Company owns a 100% interest in mineral rights covering approximately 461 square miles in the Upper Peninsula of Michigan, U.S.A. On approximately 204 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.

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Resource Properties (Cont'd)**

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

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

On February 18, 2003, the Company entered into an option agreement with Cameco Corporation whereby the Company has granted to Cameco the option to acquire a 65% interest in certain Michigan mineral rights. To earn this interest Cameco must incur total expenditures of \$23,600,000 in the entire area of interest over a period of 18 years, subject to earn-in levels ranging from \$1,000,000 to \$10,000,000 for portions of the area of interest. In order to maintain the right to exercise its option, Cameco must incur expenditures of \$250,000 during the first year, \$350,000 during the second year, \$500,000 during each of the third and fourth years, and \$1,000,000 per year for subsequent years. During the first two years of the agreement, the Company is the project operator and receives total cash payments of \$45,000 plus management fees.

(ii) Federal And State Leases

At April 30, 2005, the Company had been granted prospecting permits covering 1,960 acres of federal mineral rights in Michigan. In the event of a discovery, these lands will be subject to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis.

At April 30, 2005, the Company held leases covering approximately 1,800 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from two to seven percent, 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 \$66,000 through February 28, 2013. Assuming that the above information remains the same, the minimum rental payments due in the next five years are as follows:

	\$
2005	5,520
2006	8,400
2007	8,400
2008	8,160
2009	10,560

(b) Mistassini, Quebec, Canada

During the years ended October 31, 2004 and 2003, the Company staked 611 claims in the Otish/Mistassini region of northern Quebec. During the year ended October 31, 2004, management of the Company determined that the majority of the claims were not economically viable. Consequently, all related costs were written-off to operations. Additional expenditures incurred during the nine month period ended July 31, 2005, were written-off to operations. At April 30, 2005, the Company had 197 active claims in the region.

**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Resource Properties (Cont'd)**

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

During the year ended October 31, 2003, the Company was granted an option to acquire a 100% interest in the GK Property located east of the town of Beaverdell, British Columbia. In order to earn this interest, the Company has issued 300,000 common shares at a value of \$85,000, and is required to pay \$80,000 by June 15, 2006.

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

On May 1, 2005, the Company entered into an option agreement with Mineral Creek Ventures Inc. whereby the Company can earn an initial 55% interest in the Mineral Creek Property (formerly known as the Debbie Property) which is located on Vancouver Island, east of Port Alberni, B.C. The Company can earn its interest in the property by completing exploration expenditures of \$1,200,000, issuing 450,000 common shares and cash payments totaling \$160,000 (\$100,000 paid) within a three year period. During the period, 250,000 shares valued at \$85,000 were issued, 100,000 shares must be issued by the end of the first anniversary of the approval of the transaction by the TSX Venture Exchange and the final 100,000 shares must be issued by the end of the second anniversary of the approval. The Company can subsequently earn an additional 20% interest in the property by completing further exploration expenditures of \$800,000, issuing 200,000 common shares and making cash payment totaling \$100,000 within the following two years. In addition, the Company acquired a 75% interest in five adjoining mineral claims by issuing 100,000 common shares valued at \$34,000 to a private party.

During the period ended July 31, 2005, the Company incurred expenditures of \$112,830 relating to the Mineral Creek Property in addition to the above \$219,000 of acquisition costs.

**3. Equipment**

	<b>July 31 2005</b>		<b>October 31 2004</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
	\$	\$	\$	\$
Computer hardware	8,149	6,428	1,721	708
Computer software	407	152	255	-
Leasehold improvements	5,654	5,050	604	712
Field equipment	25,609	8,739	16,870	21,768
Furniture	1,104	83	1,021	-
	<b>40,923</b>	<b>20,452</b>	<b>20,471</b>	<b>23,188</b>

**4. 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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**4. Share Capital (Cont'd)**

(b) Common Shares Issued

	Number Of Shares	Value \$
<b>Balance, October 31, 2004</b>	27,861,311	7,809,319
Issued for cash		
Exercise of stock options	311,032	31,103
Pursuant to private placements	4,113,168	1,132,200
Exercise of warrants	489,500	146,850
Resource property option payments	450,000	150,000
Share issue costs	-	(22,225)
Future income taxes on expenditures renounced to shareholders	-	(267,061)
<b>Balance - July 31, 2005</b>	<b>33,225,011</b>	<b>8,980,186</b>

During the nine month period ended July 31, 2005, the Company issued:

- i) 1,035,000 flow-through units at a price of \$0.25 per unit. Each flow-through unit consisted of one flow-through common share and one-half of one non-transferable share purchase warrant. Each warrant entitles the holder to acquire an additional common share at \$0.30 per share, expiring December 22, 2005.
- (ii) 2,078,168 flow-through common shares priced at \$0.30 per share and 1,000,000 non-flow through units priced at \$0.25 consisting of one common share and one-half of a non-transferable common share purchase warrant. Each full warrant will entitle the holder to acquire an additional common share of the Company at \$0.40, expiring July 20, 2006. The shares will be subject to a hold period ending November 20, 2005.

(c) Warrants

The following share purchase warrants were outstanding at July 31, 2005:

Number Of Warrants	Exercise Price \$	Expiry Date
523,000	0.30	October 29, 2005
1,000,000	0.75	December 5, 2005
505,000	0.30	December 22, 2005
500,000	0.40	July 20, 2006

During the three month period ended July 31, 2005 2,258,500 share purchase warrants expired and 12,500 share purchase warrants were exercised yielding proceeds of \$3,750.

**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. Stock Option Plan And Stock-Based Compensation**

The Company, in accordance with the policies of the TSX Venture Exchange, has a stock option plan in place under which it is authorized to grant options to directors, employees and consultants, to acquire up to 10% of the issued and outstanding common shares. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years.

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

	Number Of Options	Weighted Average Exercise Price \$
<b>Balance - October 31, 2004</b>	2,726,032	0.33
Options granted during the period	500,000	0.39
Options exercised during the period	(311,032)	0.10
<b>Balance - July 31, 2005</b>	2,915,000	0.36

The following stock options were outstanding and exercisable at July 31, 2005:

Number Of Options	Exercise Price \$	Expiry Date
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
180,000	0.53	July 5, 2009
500,000	0.39	March 17, 2010

The weighted average grant-date fair value of options granted during the nine month period ended July 31, 2005 was \$0.31 per option (2004 - \$0.56 per option).

Total compensation expense recognized for stock options granted during the nine month period ended July 31, 2005, was \$153,643 (2004 - \$277,659). Stock-based compensation of \$153,643 (2004 \$177,702) was expensed to operations for options granted to directors of the Company, and \$Nil (2004 - \$99,957) was capitalized to resource properties for options granted to consultants.

**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. Stock Option Plan And Stock-Based Compensation (Cont'd)**

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

	<b>2005</b>	<b>2004</b>
Volatility percentage	107%	148%
Risk-free interest rate	3.75%	3.63%
Dividend yield	-	-
Expected life of options	5 years	5 years

**6. Related Party Transactions**

The following is a summary of related party transactions and balances for the nine month period ended July 31, 2005 not disclosed elsewhere in the financial statements:

- (a) Management fees of \$54,000 (2004 - \$38,000) were incurred with a company controlled by a director in common with the Company. These fees are recorded at their exchange amounts.
- (b) Stock-based compensation includes stock options granted to directors recorded at a fair value of \$153,643 (2004 - \$177,702).
- (c) Accounts payable at July 31, 2005 includes \$19,260 due to a company controlled by a director in common with the Company.

**7. Income Taxes**

The tax effects of temporary differences that create significant portions of the future tax assets and liabilities at July 31, 2005 are presented below:

	<b>\$</b>
<b>Future Tax Assets</b>	
Net operating loss carry-forwards	331,099
Capital loss carry-forwards	43,709
Equipment	6,606
Share issuance costs	47,159
Valuation allowance	<u>(428,573)</u>
<b>Net Future Tax Assets</b>	<b>-</b>
	<b>\$</b>
<b>Future Tax Liability</b>	
Mineral properties	<u>85,468</u>
<b>Net Future Tax Liability</b>	<b>85,468</b>

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. Segmented Information**

(a) Industry Information

The Company operates in one reportable operating segment, being the acquisition, exploration and development of resource properties.

(b) Geographic Information

The Company's property and equipment in geographic locations at July 31, 2005, are as follows:

	<u>\$</u>
Canada	1,219,672
U.S.A.	<u>2,815,928</u>
	<u>4,035,600</u>

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

For the nine months ended July 31, 2005

As of September 28, 2005

## **Summary of Activities**

In the nine months ended July 31, 2005, Bitterroot Resources Ltd. continued mineral exploration activities in British Columbia and Michigan. Total exploration expenditures in the nine-month period, before cost recoveries, were \$899,791. Equity financings and funding from Cameco Corporation contributed \$1,438,312 to Bitterroot's working capital during the financial year, while expenses (net of stock-based compensation) were \$196,526.

## **INTRODUCTION**

Bitterroot Resources Ltd. is a mineral resource company engaged directly and indirectly through its wholly-owned subsidiaries, in the acquisition and exploration of mineral properties. On May 1, 2005 the Company entered into an agreement to acquire up to a 75% interest in the 7,129 hectare Mineral Creek gold property near Port Alberni, BC. In the Beaverdell area of south-central BC, the Company has optioned the 250 claim GK gold project. In Michigan, Bitterroot's wholly-owned subsidiary owns recorded mineral title interests covering approximately 461 square miles in the Upper Peninsula. The Company currently leases 1,800 acres of mineral rights from the State of Michigan and has been granted prospecting permits covering 1,960 acres of US federal mineral rights. In Quebec, the Company holds 197 mineral claims covering approximately 10,440 hectares in the Mistassini region.

The following Management Discussion and Analysis (MD&A) should be read in conjunction with Bitterroot Resources Ltd.'s (referred to throughout this document as "the Company" or "Bitterroot") consolidated financial statements for the nine months ended July 31, 2005 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2004.

## **OVERALL PERFORMANCE**

### **Results of Operations**

#### **Mineral Creek Gold Project, British Columbia**

On May 1, 2005 Bitterroot entered into an agreement whereby the Company has the option to earn up to a 75% interest in the 7,129 hectare Mineral Creek property. Bitterroot can earn an initial 55 percent interest in the property by completing exploration expenditures of C\$1.2 million, issuing 450,000 common shares and making cash payments totaling C\$160,000 within a three year period. Bitterroot can subsequently earn an additional 20 percent interest in the Mineral Creek property by completing further exploration expenditures of C\$800,000, issuing

200,000 common shares and making cash payments totaling C\$100,000 within the following two years. In addition to optioning the Mineral Creek property, Bitterroot acquired a 75 percent interest in five adjoining mineral claims on 1,562 hectares by issuing 100,000 common shares to a private party. During the third quarter, Bitterroot issued 350,000 shares and paid \$100,000 to the vendors to fulfill its obligations for the first year of the agreement.

The Mineral Creek Property (formerly known as the Debbie Property), is located on Vancouver Island, 10 kilometres east of Port Alberni, BC and 120 kilometres west of the city of Vancouver. Four areas will be systematically explored for high-grade gold mineralization in 2005 and 2006. Between 1985 and 1991, Westmin Resources Limited identified the Linda Zone, 900 Zone, 1050 Zone and Mineral Creek Zone, which host quartz/carbonate veins with high-grade gold mineralization along a two kilometre-long east/west trend. These zones were discovered but not extensively explored by Westmin, which was focusing on larger-tonnage targets in north/south trending structures within the Mineral Creek Zone. The project area is accessible by an extensive network of all-weather logging roads and is close to industrial infrastructure, the local power grid and a deep water port. The mild climate, low elevation and proximity to Vancouver will facilitate relatively low-cost exploration. The property has seen three periods of high-grade gold production since the 1860's. The Mineral Creek area hosts a very large and complex gold-mineralized, hydrothermal system with several inter-related styles of mineralization occurring within an 800 metre elevation range. The gold occurrences are hosted by Sicker Group volcanic and sedimentary rocks, which also host volcanogenic massive sulphide (VMS) base metals occurrences on the property and are prospective for additional VMS mineralization. Between 1985 and 1991, Westmin Resources Limited invested over C\$13 million in surface and underground exploration and identified disseminated and bonanza-style epithermal gold mineralization and volcanogenic massive sulphide mineralization at several locations on the property. Westmin completed over 50,000 metres of drilling, 1,200 metres of trenching, collected 20,000 soil samples and mapped portions of the property at 1:1,000 scale. A 1.8 kilometre-long exploration tunnel and 230 meters of crosscuts and raises were mined to provide drill platforms and bulk samples in the Mineral Creek Zone. These modern, trackless underground workings are in excellent condition and represent an important asset for further exploration and development. Moderate to very high-grade gold mineralization has been identified in the Linda Zone, the 900 Zone and the 1050 Zone. These zones occur along a two-kilometre east/west trend which Bitterroot is exploring for high-grade gold resources. In 1990, one drill hole in the 1050 Zone intersected 287 g Au/Tonne (8.37 oz Au/ton) over 1.7 metres.

Since July 2005, Bitterroot's drilling contractor has completed six drill holes within the 1050 Zone. Complete assay results from these holes are expected in October 2005. Surface drilling will continue late into the fall, as weather permits. The 1050 Zone is approximately parallel to and 800 metres along strike from the 900 Zone. Additional drilling will test the undrilled interval between the 1050 and 900 zones.

The high-grade 900 Zone was test-mined on a small scale from 1993 to 1995. Underground workings consist of 240 metres of trackless drift and 135 metres of raises. It is estimated that 1,800 Tonnes of ore grading 51 g Au/tonne were mined. These workings are a valuable asset for further exploration work. No geological mapping or exploration drilling has been done from the underground workings and the 900 Zone has not been tested along strike or below this level.

Permitting is underway to allow the re-entry of Bitterroot's contractors into the 900 Zone. This winter, the Company plans to open and secure the portal and underground workings, undertake geological and structural mapping, followed by underground drilling. Additional bulk sampling will be considered if high-grade mineralization is encountered near the existing underground workings.

The Linda Zone hosts a set of three sub-parallel veins. Trench sampling and 12 drill holes suggest a preliminary average grade of 42 g Au/Tonne over 1.85 metres true thickness in the lower Linda vein. Permitting is underway to allow establishment of a portal and underground bulk sampling of the Lower Linda vein this winter. Underground drilling of the down dip extension of the Linda veins from the Mineral Creek tunnel is also being considered.

In the nine months ended July 31, 2005, Bitterroot spent \$338,083 on the Mineral Creek project, mainly on acquisition costs, drilling and geological consulting. Mr. Mike Becherer, P.Geo is the Qualified Person responsible for the design and execution of the 2005 field program.

### **GK Gold/Silver Project, British Columbia**

The GK project was designed to locate the source of highly anomalous gold/silver/arsenic stream silt and soil anomalies associated with alkaline intrusive and sedimentary rocks. The road-accessible GK claims are located 8 kilometres east of the Highland Bell (Beaverdell) silver mine, which operated for over 90 years. During 2004, over 2,100 soil samples were collected, which defined five coincident zones of anomalous gold, arsenic, copper and silver in soil. In November and December 2004, a nine-hole, 1,879 meter drilling program tested favourable rock types with coincident IP and soil geochemical anomalies. The results of the drilling, mapping and prospecting program indicate that the property is underlain by intrusive, volcanic and sedimentary rocks altered by a large magmatic hydrothermal system. Mineralized or geochemically anomalous zones on the GK Property have a close spatial association with a suite of probable Tertiary-aged alkalic intrusions. The intrusions have been emplaced into a stratified sequence of fine-grained, thinly-bedded siliceous and potassic tuffs and sedimentary rocks of probable Palaeozoic age. The highest and most laterally extensive Au/As soil values are generally coincident with wide intervals of weakly gold-mineralized, brecciated, altered, and mineralized tuffs and sediments.

In 2005, additional reconnaissance soil geochemical surveys have identified areas with highly anomalous Au/As in soils southeast and northwest of the main grid area. A comprehensive report on the work done in the first and second quarters is being prepared. A program comprising additional geological mapping, line cutting, soil sampling and prospecting is underway.

In the nine months ended July 31, 2005, Bitterroot spent \$410,228 on the GK project, mainly on drilling and related costs, and geological consultants. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of the 2005 field program.

## **Upper Peninsula, Michigan**

Exploration in the nine months ended July 31, 2005 consisted of a 1,250 line-kilometre airborne geophysical (GEOTEM) survey, which was funded by Cameco Corporation. The airborne survey has identified a number of shallow, untested conductive basement structures with a total strike length of over 25 kilometres. Ground-based horizontal loop EM surveys totalling 21 line-kilometres have been completed. Drilling of these targets has been delayed pending resumption of the Michigan Department of Natural Resources' (DNR) metallic minerals leasing program. Revised lease terms are currently being drafted by DNR staff, but the date of their implementation is not known.

Cameco has maintained its option by completing the required \$600,000 of exploration expenditures and made a cash payment of \$45,000 prior to the end of the third quarter. The terms of the original option agreement between Cameco and Bitterroot have been modified several times to adjust for the unexpected minerals leasing delays. In order to maintain its option, Cameco is currently required to complete exploration expenditures totalling \$500,000 prior to December 31, 2006.

In the nine months ended July 31, 2005, Bitterroot spent \$133,491 on its Michigan projects, mainly on geophysical surveys and data processing. In addition to the \$45,000 option payment, Cameco refunded \$105,383 to Bitterroot under the terms of the option agreement. Mr. Jan Klein, P.Eng, P.Geo is the Qualified Person responsible for design, execution and interpretation of the geophysical surveys.

## **Financial Condition**

As at July 31, 2005, Bitterroot had working capital of \$967,817, which included accounts receivable of \$42,393 due from Cameco and \$24,925 due from GST refunds. Resource properties had a book value of \$4,009,325, compared to \$3,277,906 at the beginning of the financial year. For the nine months ended July 31, 2005, cash inflows exceeded cash outflows by \$408,488, which when combined with the \$553,863 cash balance at the beginning of the year, results in an ending cash position of \$962,351. The cash inflows were a result of share issuances for net proceeds of \$1,287,929. Cash outflows were comprised principally of resource property expenditures, (net of recoveries from Cameco), of \$599,409 and operating expenses of \$190,978 (net of stock-based compensation and amortization).

## **Summary of Financial Results**

During the nine months ended July 31, 2005, the Company had a Loss Before Other Items of \$350,169 compared to a loss of \$563,159 in the first nine months of the prior year. The decreased loss was mainly attributable to lower stock-based compensation costs, which were partially offset by higher professional and management fees, plus rent and other costs associated with the establishment of a new head office in the third quarter. Excluding stock-based compensation costs, the Loss Before Other Items for the nine months ended July 31, 2005, was \$196,526, compared to \$111,413 for first nine months of the prior year. On this basis, the

increased loss in the current year is also mainly due to increased professional and management fees, plus rent and other costs associated with the establishment of a new head office.

## SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with July 31, 2005. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	<b>Quarter Ended July 31 2005</b>	<b>Quarter Ended April 30 2005</b>	<b>Quarter Ended Jan 31 2005</b>	<b>Quarter Ended Oct 31 2004</b>
Interest income	870	1,021	813	1,593
Income (loss) for the period	(72,676)	(61,972)	(37,015)	(921,734)
General and administrative	(64,712)	(95,238)	(35,762)	(222,963)
Stock-based compensation	-	(153,643)	-	-
Write-off of resource property	(15,185)	(1,552)	(1,253)	(1,127,406)
Net income (loss) per share basic and diluted	(0.00)	(0.00)	(\$0.00)	(\$0.06)

	<b>Quarter Ended July 31 2004</b>	<b>Quarter Ended April 30 2004</b>	<b>Quarter Ended Jan 31 2004</b>	<b>Quarter Ended Oct 31 2003</b>
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 Loss per share, basic and diluted	(\$0.01)	(\$0.00)	(0.01)	(\$0.00)

## LIQUIDITY

During the nine months ended July 31, 2005, the Company received \$1,310,153 (before share issue costs) from the following,

- \$31,103 from the exercise of 311,032 stock options,

- \$258,750 from a private placement of 1,035,000 units at \$0.25, consisting of one flow through common share and one half of a common share purchase warrant,
- \$146,850 from the exercise of 489,500 warrants
- \$873,450 from a private placement of 2,078,168 flow-through common shares priced at \$0.30 and 1,000,000 non-flow-through units priced at \$0.25 consisting of one common share and one half of a non-transferable common share purchase warrant.

The Company's working capital at July 31, 2005 was \$967,817, compared to working capital of \$458,204 at October 31, 2004. Current liabilities were \$63,185, consisting of accounts payable incurred in the normal course of business.

As of the date of this report, there are 2,478,000 common share purchase warrants outstanding, which if exercised, would generate proceeds to the Company of \$1,243,400. There are also currently 2,915,000 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$1,060,300.

Bitterroot has sufficient cash reserves to fund its operating expenses in 2005 and this year's exploration program on the Mineral Creek and GK projects in British Columbia. In Michigan, the majority of the work planned in 2005 and 2006 will be funded by Cameco. Depending on the results of land acquisition activities and surface exploration, additional capital may be required to fund expanded exploration programs and drilling. 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 facilitating the exercise of outstanding share purchase warrants and options. Despite current favourable 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 nine months ended July 31, 2005.

- The Company incurred management fees of \$54,000 with a company controlled by the President of the Company.
- The Company had accounts payable of \$19,260 due to a company controlled by the President the Company.
- Stock-based compensation includes stock options granted to directors recorded at a value of \$153,643 (2004 – \$177,702).

## **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 statement.

## **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, 2005,  
33,225,011 common shares, with a recorded value of \$8,980,186.  
As of the date of this report there are 33,275,011 common shares outstanding.

c) Options outstanding at July 31, 2005

Number of Shares	Exercise Price	Expiry Date
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
180,000	0.53	July 5, 2009
500,000	0.39	March 17, 2010

d) Warrants outstanding at July 31, 2005

Number of Shares	Exercise Price	Expiry Date
523,000	\$ 0.30	October 29, 2005
1,000,000	0.75	December 5, 2005
505,000	0.30	December 22, 2005
500,000	0.40	July 20, 2006

## **Stock-based Compensation**

The weighted average grant-date value of options granted during the nine months ended July 31, 2005 was \$0.31 per option (2004- \$0.56). Total compensation expense recognised for stock options granted during the nine month period was \$153,643 (2004- \$277,659). Stock-based compensation of \$153,643 (2004- \$177,702) was expensed to operations for options granted to Directors and \$Nil (2004- \$99,957) was capitalized to resource properties for options granted to consultants. These amounts represent the value of stock options granted using the Black-Scholes option-pricing model, which includes management's estimates of volatility and expected life.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information. Our auditors have not reviewed the contents of this MD&A.

**Additional information on the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).**