
BITTERROOT RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2006
(Unaudited - Prepared By Management)

BITTERROOT RESOURCES LTD.
(UNAUDITED - PREPARED BY MANAGEMENT)

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, 2006 and for nine months ended July 31, 2006 and 2005, were prepared by, and are the responsibility of the Company's management.

The Company's independent auditor did not perform a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	July 31 2006	October 31 2005
	\$	\$
ASSETS		
Current Assets		
Cash	2,432,483	920,448
Accounts receivable	89,155	75,948
Prepaid expenses	-	3,635
	<hr/>	<hr/>
	2,521,638	1,000,031
Reclamation Deposit	-	5,804
Resource Properties (Note 2)	5,595,650	4,236,596
Equipment (Note 3)	14,442	18,622
	<hr/>	<hr/>
	8,131,730	5,261,053
<hr/>		
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	127,442	66,690
<hr/>		
SHAREHOLDERS' EQUITY		
Share Capital (Note 4)	11,878,547	9,137,086
Contributed Surplus	1,317,560	934,568
Deficit	(5,191,819)	(4,877,291)
	<hr/>	<hr/>
	8,006,288	5,194,363
	<hr/>	<hr/>
	8,131,730	5,261,053
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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 2006 \$	Three Month Period Ended July 31 2005 \$	Nine Month Period Ended July 31 2006 \$	Nine Month Period Ended July 31 2005 \$
Expenses				
Amortization	1,393	1,904	4,179	5,548
Exploration	33,516	-	33,516	9,555
Foreign exchange (gain) loss	(397)	1,407	2,193	(157)
Interest and bank charges	817	325	2,094	809
Management fees	18,000	18,000	54,000	54,000
Office, printing and travel	16,548	16,881	39,251	36,866
Professional fees	11,140	19,349	52,684	56,659
Regulatory fees	-	4,867	7,538	10,746
Shareholder information	824	422	11,489	14,437
Stock-based compensation	-	-	305,300	153,643
Transfer agent fees	1,790	1,557	8,551	8,063
Loss Before Other Items	83,631	64,712	520,795	350,169
Other Items				
Interest income	19,929	870	22,713	2,704
Write-off of resource property (Note 2)	(889)	(15,185)	(24,471)	(17,989)
Recovery of resource properties written-off	-	-	-	12,198
Write-off of reclamation deposit	-	-	(5,804)	-
Recovery of reclamation deposit written-off	1,109	-	1,109	-
	20,149	(14,315)	(6,453)	(3,087)
Loss Before Income Taxes	(63,482)	(79,027)	(527,248)	(353,256)
Future income tax recovery	-	(6,351)	(212,721)	(181,593)
Net Loss For The Period	(63,482)	(72,676)	(314,527)	(171,663)
Deficit, beginning of period	(5,128,337)	(4,924,129)	(4,877,292)	(4,825,142)
Deficit, End Of Period	(5,191,819)	(4,996,805)	(5,191,819)	(4,996,805)
Basic And Diluted Loss Per Share	(0.00)	(0.00)	(0.01)	(0.01)
Weighted Average Number Of Shares Outstanding	41,878,816	30,488,425	37,510,773	29,381,059

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

	Three Month Period Ended July 31 2006 \$	Three Month Period Ended July 31 2005 \$	Nine Month Period Ended July 31 2006 \$	Nine Month Period Ended July 31 2005 \$
Operating Activities				
Net loss for the period	(63,482)	(72,676)	(314,527)	(171,663)
Items not involving cash				
Amortization	1,393	1,904	4,179	5,548
Write-off of resource properties	887	15,185	24,471	17,990
Write-off of reclamation deposit	-	-	5,804	-
Stock-based compensation	-	-	305,300	153,643
Future income tax recovery	-	(6,351)	(212,721)	(181,593)
	(61,202)	(61,938)	(187,494)	(176,075)
Changes in non-cash working capital				
Accounts receivable	(45,670)	49,309	(13,207)	(46,994)
Prepaid expenses	136	(1,333)	3,635	24,187
Accounts payable	65,399	31,589	60,753	(78,319)
	19,865	79,565	51,181	(101,126)
	(41,337)	17,627	(136,313)	(277,201)
Financing Activity				
Share issuance	206,500	860,414	3,031,874	1,287,929
Investing Activities				
Purchase of property, plant and equipment	-	(1,104)	-	(2,831)
Resource property expenditures, net of recoveries	(765,795)	(229,921)	(1,383,526)	(599,409)
	(765,795)	(231,025)	(1,383,526)	(602,240)
Increase/(Decrease) During The Period	(600,632)	647,016	1,512,035	408,488
Cash, beginning of period	3,033,115	315,335	920,448	553,863
Cash, End Of Period	2,432,483	962,351	2,432,483	962,351

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2006
(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, 2005 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	Spences Bridge Project, B.C., Canada	North Brenda Property B.C., Canada	Big Southeaster B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – October 31, 2005	-	903,515	545,637	-	-	-	2,787,444	4,236,596
Deferred Costs During The Period								
Acquisition costs	-	30,000	110,000	-	29,500	34,500	-	204,000
Aircraft charter	-	-	18,875	-	-	-	-	18,875
Consulting and professional	11,200	43,802	186,955	21,288	18,730	-	21,412	303,387
Claims, leases and permits	9,758	12,924	890	3,302	1,150	-	12,638	40,671
Field supplies	-	2,372	19,929	228	1,315	-	434	24,269
Fuel	-	727	6,383	430	772	-	-	8,312
Geochemistry	2,640	17,817	29,768	7,757	-	-	6,483	57,982
Geophysics	613	90,553	-	-	57,922	-	1,144	156,715
Ground transportation	-	482	15,227	776	2,027	-	371	18,883
Drilling	-	-	579,765	-	-	-	-	579,765
Other	260	3,065	6,172	11	126	-	4,538	14,172
Room and board	-	2,492	33,539	1,885	6,497	-	518	44,931
Travel and freight	-	1,810	8,069	97	130	-	5,982	16,088
Recovery of costs	-	-	-	-	-	-	(104,525)	(104,525)
	24,471	206,044	1,015,572	35,774	118,169	34,500	(51,005)	1,383,525
	24,471	1,109,559	1,561,209	35,774	118,169	34,500	2,736,439	5,620,121
Write-off of resource properties	(24,471)	-	-	-	-	-	-	(24,471)
Balance – July 31, 2006	-	1,109,559	1,561,209	35,774	118,169	34,500	2,736,439	5,595,650

(a) Michigan, U.S.A.

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

The Company owns a 100% interest in mineral rights covering approximately 363 square miles in the Upper Peninsula of Michigan, U.S.A. On approximately 106 square miles, the vendor retains a 2% net smelter return royalty (NSR) and the Company has the option to purchase one half of the total 2% NSR royalty by paying \$1,000,000 U.S. on or before December 31, 2048.

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 (incurred) during the first year, \$350,000 (incurred) during the second year, \$500,000 during each of the third and fourth years, and \$1,000,000 per year for subsequent years. The company will receive inflation adjusted payments of \$60,000 (received) per year.

(ii) Federal And State Leases

At July 31, 2006, 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 July 31, 2006, 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. Minimum rental payments due in the next five years are as follows:

	\$
2006	8,400
2007	8,400
2008	8,160
2009	10,560
2010	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. Additional expenditures of \$24,471 were incurred on assessment report preparation and claim renewal fees. During the nine month period ended July 31, 2006, these costs were written-off to operations.

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 \$30,000 (paid) by June 15, 2006, \$25,000 by June 15, 2007 and \$25,000 by June 15, 2008.

During the nine month period ended July 31, 2006, the Company incurred expenditures of \$206,044 relating to the GK Property.

(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, 10 kms southeast of Port Alberni, B.C. The Company can earn a 55% interest in the property by completing exploration expenditures of \$1,200,000, issuing 450,000 common shares (350,000 shares issued) and making cash payments totaling \$160,000 (paid) within a three-year period. The final 100,000 shares must be issued by the end of the second anniversary of the TSX Venture Exchange 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 a cash payment of \$50,000 per year, 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 nine month period ended July 31, 2006, the Company incurred expenditures of \$1,015,572 relating to the Mineral Creek Property.

(e) Spences Bridge Project, B.C., Canada

On January 17, 2006, the Company acquired 14 claim blocks covering 6,030 hectares located in the Spences Bridge gold belt in southwestern British Columbia.

During the nine month period ended July 31, 2006, the Company incurred expenditures of \$35,774 relating to the Spences Bridge Property.

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

On April 4, 2006, the Company entered into an agreement to acquire a 100% interest in the North Brenda molybdenum/copper/gold property in southwestern British Columbia.

In order to earn a 100% interest in the property, the Company has paid \$10,000 and has issued 50,000 common shares at a value of \$29,500 to the vendors. Prior to the first anniversary, Bitterroot is required to complete \$50,000 of exploration expenditures and issue an additional 50,000 common shares to the vendors. Prior to the second anniversary, Bitterroot is required to issue an additional 50,000 common shares. Prior to the third anniversary, Bitterroot is required to issue a further \$50,000 worth of Bitterroot's common shares. The vendors will also retain a two percent (2%) net smelter returns royalty on the North Brenda property, of which Bitterroot can purchase half by paying \$1,000,000.

During the nine month period ended July 31, 2006, the Company incurred expenditures of \$118,169 relating to the North Brenda property.

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2. Resource Properties (Cont'd)

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

On June 8, 2006, the Company entered into an agreement with Strongbow Explorations Inc. (33%) and Mr. Barry Hanslit (67%) to acquire a 100% interest in their jointly-owned 16 square kilometre property, which adjoins the south side of the Mineral Creek Property.

In order to earn a 100% interest in the claims, the Company has paid Strongbow/Hanslit \$10,000 and has issued 50,000 shares at a value of \$24,500. The Company must issue 50,000 additional shares before the first and second anniversaries, complete \$50,000 of exploration expenditures before the second anniversary and issue common shares with a value of \$50,000 prior to the third anniversary.

During the nine month period ended July 31, 2006, the Company incurred expenditures of \$34,500 relating to the acquisition of the Big Southeaster Property.

3. Equipment

	July 31 2006		October 31 2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	8,149	6,895	1,254	1,618
Computer software	407	356	51	204
Field equipment	25,609	13,800	11,809	15,237
Furniture and fixtures	1,104	259	845	994
Leasehold improvements	5,654	5,171	483	569
	40,923	23,481	14,442	18,622

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 \$
Balance, October 31, 2005	33,748,011	9,137,086
Issued for cash		
Exercise of stock options	600,000	60,000
Pursuant to private placement	6,518,332	2,735,749
Exercise of warrants	1,005,000	351,500
Resource property option payment	200,000	104,000
Share issue costs	-	(297,067)
Future income taxes on expenditures renounced to shareholders	-	(212,721)
Balance - July 31, 2006	42,071,343	11,878,547

During the nine month period ended July 31, 2006, the Company issued 2,568,332 flow-through common shares at a price of \$0.45 per share, and 3,950,000 units at a price of \$0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share of the company at \$0.55, expiring September 30, 2007. The Company paid a 6% cash commission and a 6% Broker Option consisting of the right to purchase 391,100 units under the same terms and conditions. This right expires September 30, 2007.

(c) Warrants

Warrant transactions are summarized as follows:

	Number Of Warrants
Balance - October 31, 2005	2,005,000
Issued	4,341,100
Exercised	(1,005,000)
Expired	(1,000,000)
Balance - July 31, 2006	4,341,100

The following share purchase warrants were outstanding at July 31, 2006:

Number Of Warrants	Exercise Price \$	Expiry Date
3,950,000	0.55	September 30, 2007
391,100	0.55	September 30, 2007

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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5. Contributed Surplus

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

	\$
Balance - October 31, 2005	934,568
Stock-based compensation (Note 6)	305,301
Agent's warrants issued (Note 4)	77,691
Balance - July 31, 2006	<u>1,317,560</u>

6. 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 \$
Balance - October 31, 2005	2,915,000	0.36
Options granted during the period	1,125,000	0.53
Options exercised during the period	<u>(600,000)</u>	0.10
Balance - July 31, 2006	<u>3,440,000</u>	0.45

The following stock options were outstanding and exercisable at July 31, 2006:

Number Of Options	Exercise Price	Expiry Date
	\$	
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
1,125,000	0.53	April 4, 2011

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

The weighted average grant-date fair value of options granted during the nine month period ended July 31, 2006 was \$0.27 per option (2005 - \$0.31 per option).

Total compensation expense recognized for stock options granted during the nine month period ended July 31, 2006, was \$305,300 (2005 - \$153,643). Stock-based compensation of \$305,300 (2005 - \$153,643) was expensed to operations for options granted to directors of the Company.

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

	2006	2005
Volatility percentage	61%	107%
Risk-free interest rate	4.25%	3.75%
Dividend yield	-	--
Expected life of options	5 years	5 years

7. Related Party Transactions

The following is a summary of related party transactions and balances for the nine month period ended July 31, 2006 not disclosed elsewhere in the financial statements:

- (a) Management fees of \$54,000 (2005 - \$54,000) were incurred with a company controlled by a director in common with the Company.
- (b) Stock-based compensation includes stock options granted to directors recorded at a fair value of \$305,300 (2005 - \$153,643).
- (c) Accounts payable at July 31, 2006 includes \$34,353 (2005 - \$19,260) due to a company controlled by a director in common with the Company.

8. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at July 31, 2006, are presented below:

	\$
Future Tax Assets	
Net operating loss carry-forwards	338,610
Capital loss carry-forwards	41,869
Equipment	9,035
Share issuance costs	40,614
Resource properties	(696,542)
Valuation allowance	266,414
Net Future Tax Assets	-

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. 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, 2006, are as follows:

	\$
Canada	2,884,273
U.S.A.	<u>2,736,439</u>
	<u>5,620,712</u>

10. Supplemental Disclosures With Respect To Cash Flows

	July 31 2006	October 31 2005
Cash paid during the period for income taxes	-	-
Cash paid during the period for interest	-	-

The significant non-cash transactions for the period ended July 31, 2006, were as follows:

- (a) The Company issued 50,000 common shares with a value of \$29,500 pursuant to the option agreement on the North Brenda mineral property (Note 2(f)).
- (b) The Company issued 391,100 common shares with a value of \$57,371 as a finder's fee in connection with the private placement of common shares (Note 4).
- (c) The Company recognized \$305,301 of stock-based compensation expense for options granted during the period ended July 31, 2006 (Note 6).
- (d) The Company issued 100,000 common shares with a value of \$50,000 pursuant to the option agreement with Mineral Creek Ventures Inc. (Note 2(d)).
- (e) The Company issued 50,000 common shares with a value of \$24,500 pursuant to the option agreement on the Big Southeaster mineral property (Note 2(g)).

BITTERROOT RESOURCES LTD. MANAGEMENT DISCUSSION & ANALYSIS

For the nine months ended July 31, 2006

As of September 25, 2006

SUMMARY OF ACTIVITIES

In the nine months ended July 31, 2006, the majority of Bitterroot Resources Ltd.'s exploration expenditures were for drilling and related costs on the Mineral Creek gold project in British Columbia. Significant expenditures were also incurred on the GK project and the North Brenda project. Total exploration expenditures in the nine-month period, before cost recoveries and write-offs were \$1,488,049. Exercising of warrants and options, equity financing and funding from Cameco Corporation contributed \$3,191,774 to Bitterroot's working capital during the period, while expenses, net of stock based compensation were \$215,495.

INTRODUCTION

Bitterroot Resources Ltd. (referred to throughout this document as "the Company" or "Bitterroot") is a mineral resource company engaged directly and indirectly through its wholly-owned subsidiaries, in the acquisition and exploration of mineral properties. In May 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. The Company is earning a 100% interest in the 250-claim GK gold project near Beaverdell in south-central BC. In southwest BC, the company is earning a 100% interest in the 2,290 hectare North Brenda molybdenum/copper/gold property. In the Upper Peninsula of Michigan, Bitterroot and Cameco Corporation have entered into an option/joint venture agreement whereby Cameco has agreed to fund uranium exploration within a 780 square-mile area of interest. Bitterroot's wholly-owned subsidiary owns recorded mineral title interests covering approximately 363 square miles in the Upper Peninsula of Michigan. The Company currently leases 1,000 acres of mineral rights from the State of Michigan and holds prospecting permits covering 1,520 acres of US federal mineral rights.

The following Management Discussion and Analysis (MD&A) should be read in conjunction with Bitterroot Resources Ltd.'s consolidated financial statements for the nine months ended July 31, 2006 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2005.

OVERALL PERFORMANCE

Results of Operations

Michigan Uranium Joint Venture

Representatives of the Michigan Department of Natural Resources (DNR), Mineral and Land Management Section have advised the Company and others that their goal is to resume metallic minerals leasing of State-owned mineral rights in late 2006, following implementation of a

revised metallic minerals lease document. Bitterroot management plans to initiate approximately 1,600 metres of drilling on five targets before the end of 2006, subject to the resumption of minerals leasing in Michigan. In the nine months ended July 31, 2006, Bitterroot spent \$53,520 on its Michigan projects, mainly on consulting, leases and permits.

Mineral Creek Gold Project, British Columbia

As of the date of this report, Bitterroot's diamond drilling contractor has completed over 9,700 metres of drilling in 70 holes on the Mineral Creek property. In July 2005, drilling started on the 1050 Zone (1,572 metres in 14 holes), then moved to the 900 Zone in December 2005 (2,336 metres in 13 holes), then in the spring of 2006, tested the lower elevations of the Gap fault and lower Mineral Creek fault (1,889 metres in 9 holes). Results from the 1050 and 900 zones have been reported. The Gap fault and Mineral Creek fault drilling returned quartz-carbonate altered zones containing geochemically anomalous gold and sulphide-rich breccias.

In mid-June a second diamond drill arrived on the Mineral Creek property and both rigs are now testing the Linda Zone. In the Lower Linda vein, the three most significant intervals intersected to date returned 292 grams/Tonne (8.5 ounces/ton) over an estimated true width of 0.3 metres in hole BTT-L3, 99.9 grams/Tonne (2.9 ounces/ton) over an estimated true width of 0.4 metres in drill hole BTT-L2 and 298 grams/Tonne (8.7 ounces/ton) over an estimated true width of 0.2 metres in drill hole BTT-L10. The mineralized gold-bearing veins and quartz breccias contain visible native gold grains up to 2 mm in diameter and gold associated with pyrite and arsenopyrite. Visible gold has been intersected in 9 additional holes over core lengths ranging from 0.3 to 2.8 metres. As of the date of this report, assay data from 21 drill holes has not been received by the Company due to volume delays at the assaying laboratories. Assays from these holes are expected to be received and released in October.

The Lower Linda vein (strike 055-060 degrees, dip 45-65 degrees) has been intersected with close-spaced definition drilling along a strike length of 40 metres and 35 metres down-dip. A recently drilled step-out hole (assays pending) intersected visible gold in the Lower Linda vein along strike approximately 110 metres northeast of holes BTT-L2 and BTT-L3 and suggests that high-grade gold mineralization occurs over at least a 70 metre elevation range. The high-grade mineralization in the Lower Linda vein is open along strike and down dip. A second, previously unknown vein which strikes 020 degrees also contains visible gold in the same area. The drilling completed to date in the Linda Zone has demonstrated that the Lower Linda vein has enough continuity to justify an underground bulk sampling program. Bitterroot and its partner Mineral Creek Ventures Inc. are planning an underground bulk sampling program on the Lower Linda vein in the winter of 2006/07. The project will be funded by Bitterroot and Mineral Creek Ventures on a 50/50 basis and proceeds from the sale of mineralized rock will be shared on the same basis.

Also in June, the Company entered into an agreement to acquire a 100 percent interest in the Big Southeaster property, which adjoins the south side of the Mineral Creek Property. The claims host occurrences of volcanogenic massive sulphide mineralization and structurally-controlled gold/silver mineralization in Sicker Group volcanic and volcanoclastic rocks. In order to earn a 100% interest in the claims, Bitterroot paid the vendors \$10,000 and issued 50,000 shares, and is

required to issue 50,000 additional shares before the first and second anniversaries, complete \$50,000 of exploration expenditures before the second anniversary and issue common shares with a value of \$50,000 prior to the third anniversary. Drill targets have been identified and will be tested in the next few months.

In the nine months ended July 31, 2006, Bitterroot spent \$1,015,572 on the Mineral Creek project, mainly on drilling, assaying and geological consulting. Mr. Michael Becherer, P. Geo is the Qualified Person responsible for the design and execution of exploration programs on the Mineral Creek property.

North Brenda Molybdenum/Copper/Gold Project, British Columbia

In April 2006, Bitterroot entered into an agreement to acquire a 100 percent interest in the North Brenda molybdenum/copper/gold property in southwestern British Columbia. The 109-claim (2,290 hectares) North Brenda property adjoins the formerly-producing Brenda Mine, an open pit porphyry molybdenum-copper mine which produced 177 million tonnes of ore @ 0.043% Mo and 0.169% Cu. The property straddles Highway 5a, the Okanagan-Coquihalla Connector. Soil sampling, geophysical surveys (gravity, IP and magnetics) geological mapping and prospecting are ongoing. Preliminary results from this work have identified an area with anomalous molybdenum and copper in soils. Soil sampling has also identified areas with anomalous lead, zinc and silver. Geophysical surveys are currently underway to help define specific drill targets to be tested in 2006, prior to the onset of winter. In the nine months ended July 31, 2006, Bitterroot spent \$118,169 on the North Brenda property, mainly on geological, geochemical and geophysical surveys. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the North Brenda project.

GK Gold/Silver Project, British Columbia

Geological, geochemical and geophysical surveys (IP, VLF and magnetics) were conducted in the quarter ended July 31, 2006. Prospecting and sampling are continuing on the expanded soil sampling and geophysical grids. Preliminary results indicate the presence of two new zones with anomalous gold in soils. Additional surface mapping, sampling and drilling are planned prior to the onset of winter.

In the nine months ended July 31, 2006, Bitterroot spent \$206,044 on the GK project, mainly on geological, geophysical and geochemical surveys. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the GK project.

Spences Bridge Gold Project, British Columbia

In late December 2005, Bitterroot acquired by staking 14 claims covering 6,030 hectares located in the emerging Spences Bridge gold belt in southwestern British Columbia. The first phase of surface exploration, comprising over 300 stream silt samples, prospecting and geological mapping of Bitterroot's claims has been completed. No further work is planned in 2006. In the nine months ended July 31, 2006, Bitterroot spent \$35,774 on the Spences Bridge property,

mainly on geological consulting and geochemical surveys. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the Spences Bridge project.

Mistassini (Twins) Nickel Project, Quebec

In the nine months ended July 31, 2006, Bitterroot spent \$24,471 on the Twins property, mainly on geological consulting and claims renewal/filing fees. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the Twins project.

Financial Condition

At July 31, 2006, Bitterroot had working capital of \$2,394,196. Resource properties had a book value of \$5,595,650 compared to \$4,236,596 at the beginning of the financial year. For the quarter ended July 31, 2006, cash outflows exceeded cash inflows by \$600,632 which when combined with the \$3,033,115 cash balance at the beginning of the quarter, resulted in a quarter-end cash position of \$2,432,483. The cash inflows during the quarter were a result of share issuances for net proceeds of \$206,500. Cash outflows during the quarter were comprised principally of resource property expenditures of \$765,795 (net of recoveries from Cameco) and operating expenses of \$82,238 (net of stock-based compensation and amortization).

Summary of Financial Results

During the nine months ended July 31, 2006, the Company had a net loss before adjustments for future income tax recoveries of \$527,248, compared to a net loss before adjustments for future income tax recoveries of \$353,256 in the first nine months of the prior year. The increased loss was mainly attributable to higher stock-based compensation and exploration expenses.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending January 31, 2006. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	Quarter Ended July 31 2006	Quarter Ended April 30 2006	Quarter Ended Jan 31 2006	Quarter Ended Oct 31 2005
Interest income	19,929	893	1,891	2,184
Income (loss) for the period	(63,482)	(386,524)**	135,479*	(19,863)
General and administrative	48,722	(74,701)	(55,272)	(59,880)
Stock-based compensation	-	(305,300)	-	-
Recovery (write-off) of resource property	(889)	(7,416)	(16,166)	90,929
Net income (loss) per share basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

* includes adjustment for future income tax recovery of \$212,721.

** includes stock-based compensation charge of (\$305,300)

	Quarter Ended July 31 2005	Quarter Ended April 30 2005	Quarter Ended Jan 31 2005	Quarter Ended Oct 31 2004
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)	(45,261)
Stock-based compensation	-	(153,643)	-	-
Write-off of resource property	(15,185)	10,646	(1,253)	(1,127,406)
Net Loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	(\$0.04)

LIQUIDITY

During the nine months ended July 31, 2006, the Company received gross proceeds of \$3,207,249 from the following,

- \$351,500 from the exercise of 1,005,000 common share purchase warrants,
- \$60,000 option payment from Cameco Corporation
- \$60,000 from the exercise of 600,000 stock options
- \$2,735,749 from the issuance of 6,518,332 common shares and units

The Company's working capital at July 31, 2006 was \$2,394,196, compared to working capital of \$933,341 at October 31, 2005. Current liabilities were \$127,442, consisting of management fees and accounts payable incurred in the normal course of the mineral exploration business, largely related to ongoing drilling on the Mineral Creek gold project.

At July 31, 2006, there were 4,341,100 share purchase warrants outstanding, which if exercised, would generate proceeds to the Company of \$2,387,605. There are also currently 3,440,000 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$1,596,550. Accounts receivable consisted of accrued interest of \$16,839, \$27,790 for GST refunds and \$44,525 due from Cameco.

Bitterroot has sufficient cash reserves to fund its 2006 operating expenses and this year's ongoing exploration programs on the Mineral Creek, North Brenda and GK projects in British Columbia. In Michigan, most of the exploration work currently planned in 2006 will be funded by Cameco Corporation. In the longer term, Bitterroot's ability to meet its 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 relatively 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 \$34,353 due to a company controlled by the President the Company.
- The Company granted stock options to directors with a recorded fair value of \$305,300

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.

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, 2006,
42,071,343 common shares, with a recorded value of \$11,878,547.

c) Options outstanding at July 31, 2006

Number of Shares	Exercise Price	Expiry Date
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
1,125,000	0.53	April 4, 2011

d) Warrants outstanding at July 31, 2006

Number of Shares	Exercise Price	Expiry Date
3,950,000	\$0.55	September 30, 2007
391,100	\$0.55	September 30, 2007

Stock-based Compensation

A total of 1,125,000 incentive stock options were granted during the nine months ended July 31, 2006. The weighted average grant-date value of options granted during the nine month period was \$0.27 per option. Total compensation expensed to operations for stock options granted during the nine month period was \$305,300. These amounts represent the value of stock options granted to directors 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.