
BITTERROOT RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2007
(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, 2007 and for nine months ended July 31, 2007 and 2006, 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 2007	October 31 2006
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	4,111,202	1,403,712
Accounts receivable - other	215,244	215,868
Prepaid expenses	650	4,636
	<u>4,327,096</u>	<u>1,624,216</u>
Reclamation Deposit	9,300	9,300
Resource Properties (Note 3)	9,275,609	6,556,517
Equipment (Note 4)	19,178	13,049
	<u>13,631,183</u>	<u>8,203,082</u>

LIABILITIES

Current Liabilities		
Accounts payable and accrued liabilities	532,014	198,098

SHAREHOLDERS' EQUITY

Share Capital (Note 5)	16,311,814	11,824,852
Contributed Surplus (Note 6)	2,181,057	1,579,357
Deficit	(5,393,702)	(5,399,225)
	<u>13,099,169</u>	<u>8,004,984</u>
	<u>13,631,183</u>	<u>8,203,082</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 2007 \$	Three Month Period Ended July 31 2006 \$	Nine Month Period Ended July 31 2007 \$	Nine Month Period Ended July 31 2006 \$
Expenses				
Amortization	1,268	1,393	3,721	4,179
Exploration	6,507	33,516	6,507	33,516
Foreign exchange (gain) loss	12,897	(397)	12,151	2,193
Interest and bank charges	881	817	2,335	2,094
Management fees	24,000	18,000	72,000	54,000
Office, printing and travel	35,981	16,548	80,740	39,251
Professional fees	19,765	11,140	91,619	52,684
Regulatory fees	-	-	9,993	7,538
Shareholder information	7,922	824	23,422	11,489
Stock-based compensation	-	-	478,114	305,300
Transfer agent fees	10,382	1,790	15,478	8,551
Loss Before Other Items	(119,603)	(83,631)	(796,080)	(520,795)
Other Items				
Interest income	31,939	19,929	94,016	22,713
Write-off of resource property (Note 2)	(929)	(889)	(2,207)	(24,471)
Recovery of resource properties written-off	-	-	7,573	-
Write-off of reclamation deposit	-	-	-	(5,804)
Recovery of reclamation deposit written-off	-	1,109	-	1,109
	31,010	20,149	99,382	(6,453)
Loss Before Income Taxes	(88,593)	(63,482)	(696,698)	(527,248)
Future income tax recovery	-	-	(702,221)	(212,721)
Net Earnings/(Loss) For The Period	(88,593)	(63,482)	5,523	(314,527)
Deficit, beginning of period	(5,305,109)	(5,128,337)	(5,399,225)	(4,877,292)
Deficit, End Of Period	(5,393,702)	(5,191,819)	(5,393,702)	(5,191,819)
Basic And Diluted Earnings/(Loss) Per Share				
	(0.00)	(0.00)	0.00	(0.01)
Weighted Average Number Of Shares Outstanding				
	49,725,191	41,878,816	48,064,820	37,510,773

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

	Three Month Period Ended July 31 2007 \$	Three Month Period Ended July 31 2006 \$	Nine Month Period Ended July 31 2007 \$	Nine Month Period Ended July 31 2006 \$
Operating Activities				
Net earnings/(loss) for the period	(88,593)	(63,482)	5,523	(314,527)
Items not involving cash				
Amortization	1,268	1,393	3,721	4,179
Write-off of resource properties	929	887	2,207	24,471
Write-off of reclamation deposit	-	-	-	5,804
Stock-based compensation	-	-	478,114	305,300
Future income tax recovery	-	-	(702,221)	(212,721)
	(86,396)	(61,202)	(212,656)	(187,494)
Changes in non-cash working capital				
Accounts receivable	281,752	(45,670)	624	(13,207)
Prepaid expenses	650	136	3,986	3,635
Accounts payable	446,194	65,399	333,916	60,753
	728,596	19,865	338,526	51,181
	642,200	(41,337)	125,870	(136,313)
Financing Activity				
Share issuance	1,612,576	206,500	5,312,769	3,031,874
Investing Activities				
Purchase of property, plant and equipment	(556)	-	(9,850)	-
Resource property expenditures, net of recoveries	(1,130,925)	(765,795)	(2,721,299)	(1,383,526)
	(1,131,481)	(765,795)	(2,731,149)	(1,383,526)
Increase/(Decrease) During The Period	1,123,295	(600,632)	2,707,490	1,512,035
Cash, beginning of period	2,987,907	3,033,115	1,403,712	920,448
Cash, End Of Period	4,111,202	2,432,483	4,111,202	2,432,483

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2007
(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, 2006 and should be read in conjunction with the audited annual financial statements.

2. Changes In Accounting Policies

On November 1, 2006, the Company adopted three new accounting standard related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

Financial Instruments - Recognition and Measurement (CICA Handbook Section 3855)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized costs. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

The Company has classified its cash equivalents as held to maturity and, therefore, is already carrying its investments at fair market value and no adjustment needs to be recorded. This change in accounting policy had no material effect on the Company's previous financial statements.

Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company would report a consolidated statement of comprehensive income (loss) and a new category, accumulated other comprehensive income, would be added to the shareholders' equity section of the consolidated balance sheet. The components of this new category would include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. For the three month period ended July 31, 2007, there was no comprehensive income (loss) or accumulated other comprehensive income to record.

Hedges (CICA Handbook Section 3865)

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The company has not designated any hedging relationships.

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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3. Resource Properties

	GK Project B.C., Canada	Mineral Creek Property B.C., Canada	Spences Bridge Project, B.C., Canada	North Brenda Property B.C., Canada	SPN Property B.C., Canada	Big Southeaster Property B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance – October 31, 2006	1,160,279	2,091,699	30,251	476,863	-	41,752	2,755,673	6,556,517
Deferred Costs During The Period								
Acquisition costs	30,000	71,000	-	33,500	40,000	29,500	-	204,000
Aircraft charter	-	-	-	8,312	-	-	-	8,312
Claims, leases and permits	4,475	5,885	3,600	1,865	194	2,904	64,348	83,271
Consulting and professional	170,237	81,742	18,356	81,569	48,566	81,212	82,352	564,034
Drilling	354,863	41,335	-	449,696	-	557,126	191,690	1,594,710
Field supplies	13,426	561	224	2,822	3,299	372	7,203	27,907
Fuel	11,904	1,301	429	926	1,190	9,519	25	25,294
Geochemistry	130,570	11,176	-	21,272	28,203	30,318	22,361	243,900
Geophysics	53,687	-	-	-	38,888	-	-	92,575
Ground transportation	12,098	3,979	701	9,399	3,007	13,365	16,135	58,684
Other	12,727	8,023	2,496	6,917	2,882	437	3,022	36,504
Recovery of costs	-	-	-	-	-	-	(466,590)	(466,590)
Room and board	18,775	7,058	2,271	540	6,562	29,946	6,097	71,249
Stock-based compensation	27,647	36,378	-	27,647	-	36,378	29,102	157,152
Travel and freight	3,498	289	18	1,240	499	725	11,821	18,090
	843,907	268,727	28,095	645,705	173,290	791,802	(32,434)	2,719,092
Balance – July 31, 2007	2,004,186	2,360,426	58,346	1,122,568	173,290	833,554	2,723,239	9,275,609

Title to resource properties involves certain inherent risks due to difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to its resource properties and to the best of its knowledge, title to its properties are in good standing.

(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.

(ii) Cameco Corporation Joint Venture

During the period, the Company and Cameco Corporation amended the deadlines on mineral property expenditures in order for Cameco to acquire 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 (incurred), \$350,000 during the second year (incurred), \$500,000 during each of the third (incurred) 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.

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

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

(iii) State Leases

At July 31, 2007, the Company held leases covering approximately 8,095 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. Leases acquired during the period are subject to similar royalty terms, except for an increase in the sliding scale to a maximum of 10.5%. In order to maintain the leases in good standing, the Company must make aggregate rental payments of \$257,881 through February 28, 2014. Minimum rental payments due in the next five years are as follows:

	\$
2007	27,284
2008	27,044
2009	27,524
2010	27,524
2011	21,764

During the period ended July 31, 2007, the company incurred exploration expenditures of \$434,156 relating to the Michigan properties and received recoveries of \$466,590.

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

During the period ended July 31, 2007, the Company incurred exploration expenditures of \$813,907 relating to the GK property, in addition to the above \$30,000 of acquisition costs.

(c) 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 kilometers southeast of Port Alberni, B.C. During the period, the Company earned a 55% interest in the property by completing exploration expenditures of \$1,200,000, issuing 450,000 common shares (issued) and making cash payments totaling \$160,000 (paid) within a three-year period. 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.

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3. Resource Properties *(Cont'd)*

(c) Mineral Creek Property, B.C., Canada *(Cont'd)*

During the period ended July 31, 2007, the Company incurred exploration expenditures of \$197,727 relating to the Mineral Creek property, in addition to the above \$71,000 of acquisition costs.

(d) 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 period ended July 31, 2007, the Company incurred exploration expenditures of \$28,095 relating to the Spences Bridge property.

(e) 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 paid \$10,000 and has issued 50,000 common shares at a value of \$29,500 to the vendors. Prior to the first anniversary, the Company completed \$50,000 of exploration expenditures and issued 50,000 common shares to the vendors at a fair value of \$33,500. Prior to the second anniversary, the Company is required to issue an additional 50,000 common shares. Prior to the third anniversary, the Company is required to issue common shares with a value of \$50,000. The vendors will also retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the period ended July 31, 2007, the Company incurred exploration expenditures of \$612,205 relating to the North Brenda property, in addition to the above \$33,500 of acquisition costs.

(f) SPN Property, B.C., Canada

On January 27, 2007, the Company entered into an agreement to acquire a 100% interest in the SPN claims, which are located approximately 20 kilometers southeast of Barriere, B.C. In order to earn a 100% interest, the company paid \$10,000 and issued 50,000 common shares at a value of \$30,000. Prior to the first anniversary, the Company is required to complete \$50,000 of exploration expenditures and issue an additional 50,000 common shares. Prior to the second anniversary, the Company is required to issue an additional 50,000 common shares. Prior to the third anniversary, the Company is required to issue common shares with a value of \$50,000. The vendor will also retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the period ended July 31, 2007, the Company incurred exploration expenditures of \$133,290 relating to the SPN property, in addition to the above \$40,000 of acquisition costs.

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

On June 1, 2006, the Company entered into an agreement to acquire a 100% interest in the property, which adjoins the south side of the Mineral Creek property.

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

(g) Big Southeaster Property, B.C., Canada *(Cont'd)*

In order to earn a 100% interest in the claims, the Company has paid \$10,000 and has issued 50,000 shares at a value of \$24,500. Before the first anniversary, the Company issued 50,000 shares at a value of \$29,500. The Company must issue 50,000 additional shares before the second anniversary and complete \$50,000 of exploration expenditures and issue common shares with a value of \$50,000 prior to the third anniversary. The vendors will also retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the period ended July 31, 2007, the Company incurred exploration expenditures of \$762,302 relating to the Big Southeaster property, in addition to the above \$29,500 of acquisition costs.

4. Equipment

	July 31 2007		October 31 2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	9,396	7,411	1,985	1,048
Furniture and fixtures	7,221	888	6,333	756
Leasehold improvements	5,654	5,267	387	432
Field equipment	28,095	17,622	10,473	9,866
	<u>50,366</u>	<u>31,188</u>	<u>19,178</u>	<u>12,102</u>

5. Share Capital

(a) Authorized

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

(b) Common Shares Issued

	Number Of Shares	Value \$
Balance - October 31, 2006	42,071,343	11,824,852
Issued for cash		
Exercise of stock options	100,000	10,000
Pursuant to private placements	7,909,798	5,012,348
Exercise of warrants	-	-
Exercise of broker option	391,100	211,260
Resource property option payments	250,000	164,000
Finders' fees	-	(158,002)
Share issue costs	-	(50,423)
Future income taxes on expenditures renounced to shareholders	-	(702,221)
Balance - July 31, 2007	<u>50,722,241</u>	<u>16,311,814</u>

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

(b) Common Shares Issued *(Cont'd)*

During the period ended July 31, 2007:

- (i) The Company issued 4,600,001 units priced at \$0.55 per unit. Each unit consisted of one common share and one-half of a common share purchase warrant. One warrant entitled the holder to acquire an additional common share of the Company at \$0.80, expiring November 17, 2008. The securities are subject to a hold period expiring March 17, 2007. A finder's fee of \$20,000 was paid in conjunction with the private placement.
- (ii) The Company issued 1,203,164 flow-through common shares priced at \$0.75 per share. The securities are subject to a hold period expiring April 20, 2007. Finder's fees of \$23,750 were paid in conjunction with the private placement.
- (iii) The Company issued 2,106,633 flow-through common shares priced at \$0.75 per share. The securities are subject to a hold period expiring October 7, 2007. Finders Fees of \$92,988 plus 123,998 non-transferable warrants to purchase one common share at \$0.75 expiring June 7, 2007 were paid in conjunction with the private placement.

(c) Warrants

Warrant transactions are summarized as follows:

	Number Of Warrants
Balance - October 31, 2006	3,950,000
Issued on exercise of broker options	391,100
Issued on private placement	2,300,000
Issued as finders fees on private placement	123,998
Exercised	-
Expired	-
Balance - July 31, 2007	6,765,098

The following share purchase warrants (convertible to an equivalent number of common shares) were outstanding at July 31, 2007:

Number Of Warrants	Exercise Price	Expiry Date
	\$	
4,341,100	0.55	September 30, 2007
123,998	0.75	June 7, 2008
2,300,000	0.80	November 17, 2008

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

The Company's contributed surplus at July 31, 2007 is comprised of the following:

	\$
Balance - October 31, 2006	1,579,357
Stock-based compensation (Note 7)	656,520
Exercise of broker options	<u>(54,820)</u>
Balance – July 31, 2007	<u>2,181,057</u>

7. 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 closing 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, 2006	3,440,000	0.46
Options granted	1,050,000	0.73
Options exercised	<u>(100,000)</u>	<u>0.10</u>
Balance – July 31, 2007	<u>4,390,000</u>	<u>0.54</u>

The following stock options were outstanding and exercisable at July 31, 2007:

Number Of Options	Exercise Price \$	Expiry Date
115,000	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
950,000	0.70	January 11, 2012
100,000	0.99	April 4, 2012

BITTERROOT RESOURCES LTD.
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7. Stock Option Plan And Stock-Based Compensation *(Cont'd)*

The weighted average contract life remaining on the above stock options is 2.91 years. The weighted average grant-date fair value of options granted during the nine month period ended July 31, 2007, was \$0.54 per option.

Total compensation expense recognized for stock options granted during the nine month period ended July 31, 2007 was \$635,276 (2006 - \$305,300). Stock-based compensation of \$157,153 (2006 - \$Nil) was capitalized to resource properties for options granted to consultants and \$478,114 (2006 - \$305,300) was expensed to operations for options granted to directors and employees of the Company.

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

	July 31 2007	October 31 2006
Volatility percentage	118%	127%
Risk-free interest rate	4.05%	4.22%
Dividend yield	-	-
Expected life of options	5 years	5 years

8. Supplemental Disclosures With Respect To Cash Flows

	July 31 2007	October 31 2006
	\$	\$
Cash paid during the period for income taxes	-	-
Cash paid during the period for interest	81	-

The significant non-cash transactions for the period ended July 31, 2007, were as follows:

- (a) The Company issued 250,000 shares in respect of option payments for resource properties, with a fair value of \$164,000.

9. Related Party Transactions

The following is a summary of related party transactions and balances for the three month period ended July 31, 2007 not disclosed elsewhere in the financial statements:

- (a) Management fees of \$24,000 (2006 - \$18,000) were incurred with a company controlled by a director in common with the Company. These fees were recorded at their exchange amount, which is the amount agreed upon by the transacting parties on terms and conditions similar to non-related entities.
- (b) Accounts payable at July 31, 2007 includes \$24,000 (2006 - \$19,260) due to a company controlled by a director in common with the Company.

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

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at July 31, 2007 are presented below:

	July 31 2007
	\$
Net operating loss carry-forwards	394,963
Capital loss carry-forwards	41,869
Resource properties	(1,259,574)
Equipment	7,419
Share issuance costs	87,045
Valuation allowance	<u>728,278</u>
	<u>-</u>

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.

The Company has approximately \$1,158,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2007	113,000
2008	106,000
2009	104,000
2010	114,000
2014	179,000
2015	242,000
2026	<u>300,000</u>
	<u>1,158,000</u>

The Company also has certain allowances in respect of resource development and exploration costs of \$2,860,070 which, subject to certain restrictions, are available to be offset against future taxable income.

11. Segmented Information

(a) Industry Information

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

BITTERROOT RESOURCES LTD.
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11. Segmented Information *(Cont'd)*

(b) Geographic Information

The Company's property and equipment in geographic locations at July 31, 2007, are as follows:

	\$
Canada	6,571,548
U.S.A.	<u>2,723,239</u>
	<u>9,294,787</u>

12. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable - other, reclamation deposit, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

13. Commitments

The Company is required to make certain cash payments and to issue shares to maintain its resource properties, as described in Note 3(a) (ii), 3(b), 3(c), 3(e), 3(f) and 3(g).

14. Subsequent Events

- (a) On September 14, 2007, 145,000 stock options were exercised at \$0.15 per share.
- (b) On September 15, 2007, the Company granted incentive stock options to acquire 585,000 common shares at \$0.35 per share, expiring September 14, 2012.
- (c) Cameco notified Bitterroot that it will retain the right to earn a 65 percent interest in Bitterroot's mineral rights within a 72 square-mile area of interest. This area has been the focus of Cameco's exploration expenditures for the past few years. Cameco must incur \$500,000 of exploration expenditures within this area prior to June 30, 2008 to earn a 65 percent interest. Cameco and Bitterroot also jointly retain the right to acquire 50 percent of each other's interests in an adjoining 168 square-mile area of interest by refunding 100 percent of any land acquisition costs incurred. Cameco has relinquished its right to acquire a 65 percent interest in Bitterroot's mineral rights within an adjacent 525 square-mile area.

15. Comparative Figures

Certain figures from the previous year have been reclassified to conform to the current year's presentation. Such reclassification is for presentation purposes only and has no effect on previously-reported results.

BITTERROOT RESOURCES LTD. MANAGEMENT DISCUSSION & ANALYSIS

For the period ended July 31, 2007

As of September 28, 2007

SUMMARY OF ACTIVITIES

In the nine months ended July 31, 2007, the majority of Bitterroot Resources Ltd.'s (collectively referred to herein as "the Company" or "Bitterroot"), exploration expenditures were for drilling and associated costs on the Michigan Uranium Joint Venture, the Big Southeaster and GK gold properties and the North Brenda molybdenum/copper property. Total exploration expenditures in the period, excluding stock-based compensation and recoveries were \$3,028,530. Share issuances contributed \$5,233,608 to Bitterroot's working capital during the period, while expenses (net of stock-based compensation) were \$317,966.

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. In central Vancouver Island, BC, the Company is earning up to a 75 percent interest in the Mineral Creek gold property near Port Alberni, BC and is earning a 100 percent interest in the adjoining Big Southeaster project. In southern BC, Bitterroot is currently earning 100 percent interests in the GK, SPN and North Brenda projects. In Michigan, Bitterroot's wholly-owned subsidiary owns recorded mineral title interests covering approximately 363 square miles in the Upper Peninsula. Under the terms of an option/joint venture agreement with a US subsidiary of Cameco Corporation, Cameco is funding exploration on a 240 square-mile portion of these lands in order to earn a 65% interest. The Company also leases over 8,000 acres of State-owned mineral rights, the majority of which are subject to the Cameco option. In Quebec, the Company owns a 100 percent interest in 52 mineral claims covering approximately 2,800 hectares in the Mistassini region.

During the nine months ended July 31, 2007, firm commodity prices and strong demand for flow-through shares helped sustain the Company's access to capital for mineral exploration programs and working capital. The Company is exposed to commodity price risk due to the nature of the mineral exploration business. Management seeks to minimize political risk by operating in road-accessible locations in Canada and the United States of America.

The following Management Discussion and Analysis (MD&A) should be read in conjunction with Bitterroot Resources Ltd.'s unaudited consolidated financial statements for the nine months ended July 31, 2007 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2006.

OVERALL PERFORMANCE

Results of Operations

Detailed exploration results are available on www.sedar.com or on the Company's website (www.bitterrootresources.com).

Michigan Uranium Joint Venture

During the nine months ended July 31, 2007, Bitterroot, on behalf of its partner Cameco Corporation ("Cameco"), conducted a seven-hole, 1,322-metre drilling program which successfully tested five unconformity-hosted uranium targets in Michigan's Jacobsville Basin. The Proterozoic unconformity was intersected in all holes and graphitic basement conductors were intersected in four of the five target areas. The highest grade mineralized zone returned a 0.6 metre interval in drill hole D9-06-01 which contains 75 ppm U, including two 0.12 metre intervals which contained over 100 ppm U. These intervals are considered to be significant as they confirm that uranium-bearing fluids have been active in the Jacobsville Basin. The uranium-bearing interval occurs in strongly altered (bleached) sandstone. The mineralized intersection occurs at a depth of approximately 162 metres down-hole in an area believed to be proximal to basin-margin faults interpreted from geophysical surveys and drilling. The Company has applied for permits to conduct a larger follow-up drilling program, which is planned to commence in the winter of 2007/2008.

Subsequent to the end of the quarter, Cameco notified Bitterroot that it will retain the right to earn a 65 percent interest in Bitterroot's mineral rights within a 72 square-mile area of interest. This area has been the focus of Cameco's exploration expenditures for the past few years. Cameco must incur \$500,000 of exploration expenditures within this area prior to June 30, 2008 to earn a 65 percent interest. Cameco and Bitterroot also jointly retain the right to acquire 50 percent of each other's interests in an adjoining 168 square-mile area of interest by refunding 100 percent of any land acquisition costs incurred. Cameco has relinquished its right to acquire a 65 percent interest in Bitterroot's mineral rights within an adjacent 525 square-mile area.

In the nine months ended July 31, 2007, Bitterroot spent \$405,054 on its Michigan projects, net of stock-based compensation, mainly on drilling, minerals leases and geological consulting. Mr. Jan Klein, P.Eng, P.Geo is the Qualified Person responsible for the design, execution and interpretation of the Company's geophysical surveys. Ms. Georgina Price, P.Geo is the Qualified Person responsible for overseeing the logging and sampling of core samples. Analyses were done at Saskatchewan Research Council in Saskatoon, Saskatchewan by ICP-MS (total digestion and partial digestion).

Mineral Creek Gold Project, British Columbia

In July 2007, the Company's joint venture partner Mineral Creek Ventures Inc. received a permit from the BC Ministry of Energy and Mines to extract up to a 5,000 tonne bulk sample from the Linda Zone, using conventional mining methods. Bitterroot Resources Ltd.'s partner Mineral Creek Ventures Inc. is currently establishing a drill-face prior to collaring a portal on the high-

grade Lower Linda vein. To date approximately 70 tonnes of mineralized vein material have been extracted. Mining is expected to proceed until winter conditions limit access to the site. Mineralized rock will be processed through a gravity circuit to be built in the Debbie tunnel and cross cuts located approximately 100 metres below the Linda Portal. Bitterroot and Mineral Creek will share the costs and proceeds of the bulk sample on a 50/50 basis. The Linda zone, which is located approximately 15 kilometres southeast of Port Alberni, BC, has been tested with 44 drill holes over a minimum 150-metre strike length and an elevation range of approximately 100 metres. Additional drilling of the Linda zone has been deferred until the partners' drilling contractor completes drilling on the adjoining Big Southeaster property.

In the nine months ended July 31, 2007, Bitterroot spent \$232,349 on the Mineral Creek project, net of stock-based compensation, mainly on drilling, acquisition costs 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.

Big Southeaster Gold Project, British Columbia

Drilling has been underway on the Big Southeaster property since early December 2006, utilizing newly constructed or reactivated logging roads. As of the date of this report, the Company's drilling contractor had completed over 6,800 metres of core drilling in 23 holes drilled from six sites. Drill hole BTT-BS 9 tested the Mineral Creek fault zone and returned 82 separate intervals of highly anomalous gold values (+0.2 grams Au/Tonne) throughout most of its 243-metre length. Drill holes BTT-BS 18 to 22 also tested the Mineral Creek fault zone 200 metres southwest of BTT-BS 9, intersecting up to nine zones of intensely silicified and brecciated pyrite/arsenopyrite-bearing mineralization, with true thicknesses ranging from one to nine metres. Assay results from these holes are pending. The drill rig has recently been moved approximately one kilometre northeast to test polymetallic (copper, lead, zinc, gold and silver) mineralization exposed in historic pits and adits in the Regina area. Approximately 1,500 metres of drilling are planned in the Regina area.

In the nine months ended July 31, 2007, Bitterroot spent \$755,424 on the Big Southeaster project, net of stock-based compensation, mainly on drilling and geological consulting. Mr. John Wilson, P. Geo is the Qualified Person responsible for the design and execution of exploration programs on the Big Southeaster project. Analyses were done at Acme Analytical Laboratories Ltd. in Vancouver, BC, by ICP-MS and fire assay/ICP-ES.

North Brenda Molybdenum/Copper Project, British Columbia

A contract for at least 1,000 metres of drilling has been signed and a drill will be mobilized onto the North Brenda property in the first week of October 2007 to test molybdenum/copper targets. The summer 2007 exploration program expanded soil geochemical and geophysical surveys into a 30 square-kilometre area north of Highway 97C, which hosts several Mo occurrences and untested geophysical targets. Results of these surveys are pending. Bitterroot is earning a 100 percent interest in the North Brenda claims, which are contiguous with the past-producing Brenda molybdenum/copper mine, located approximately 55 kilometres east of Kelowna, BC. In

early 2007, Bitterroot completed an eleven-hole, 2,478-metre drilling program on the North Brenda property to test zones of anomalous molybdenum, copper, lead, zinc, silver and arsenic-in-soil geochemistry. The most encouraging results were received from hole NB06-01, which was drilled into a strong molybdenum/copper-in-soil anomaly and chargeability high, located along the Brenda Mine mineralized trend, approximately 1,100 metres northeast of the Brenda open pit (177 million tonnes grading 0.043% Mo and 0.169% Cu). This drill hole, which was stopped prematurely at a depth of 60.3 metres due to logistical problems, returned a 28.8 metre interval grading 0.0095% molybdenum and 0.03% copper.

In the nine months ended July 31, 2007, Bitterroot spent \$618,058 on the North Brenda project, net of stock-based compensation, mainly on drilling and geological consulting. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and execution of exploration programs on the North Brenda project. Analyses were done at ALS Chemex in North Vancouver, BC, by ICP-AES and fire assay/AA.

GK Gold/Silver Project, British Columbia

In the spring and summer of 2007, the Blue Jay zone was tested with excavator trenches and the Hornet zone was tested with excavator trenches, geophysical surveys (IP and magnetics) and geological mapping. Partial assay results and geological mapping of the trenches yielded enough encouragement to justify additional trenching and drilling of both zones. Drilling of these zones is expected to begin in late October 2007, utilizing the drill rig which is currently being mobilized to the North Brenda property.

In March and April of 2007, a seven-hole, 2,627-metre drilling program tested the Romo North gold-arsenic soil geochemical anomaly, where 2004 drill hole GK04-08 returned an intersection grading 0.31 grams Au/Tonne over a core length of 17.2 metres in sulphide-bearing brecciated tuff. Most of the holes drilled in the 2007 program intersected wide intervals of highly anomalous gold geochemistry. Noteworthy intersections include; 4.1 metres of 2.25 grams Au/Tonne in hole GK07-02; 10.1 metres of 0.348 g/t Au in hole GK07-03, 60.5 metres of 0.234 g/t Au in hole GK07-05 and 26.5 metres of 0.228 g/t Au in GK07-06. The Romo and Romo North anomalies are the only geochemical-geophysical anomalies on the property which have been thoroughly drill-tested to date. Five other untested gold-in-soil geochemical anomalies have been identified on the 80 square-kilometre GK property. These areas will be followed-up with additional soil sampling, prospecting, and geologic mapping in 2007.

In the nine months ended July 31, 2007, Bitterroot spent \$816,260 on the GK Project, net of stock-based compensation, mainly on drilling, geochemical analyses and geological consulting. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and execution of exploration programs on the GK project. Analyses were done at ALS Chemex in North Vancouver, BC, by ICP-AES and fire assay/AA.

SPN Copper/Gold Project, British Columbia

In January 2007, Bitterroot entered into an agreement to acquire a 100 percent interest in the SPN Claims, which are located approximately 20 km southeast of Barriere, British Columbia.

The 467-claim (9,490 hectares) SPN property was staked to cover a relatively unexplored, road-accessible area which is the source of multi-element (Au, Ag, Cu, Co, Pb, Zn and As) stream silt geochemical anomalies. Bitterroot's 2007 exploration program has consisted mainly of stream silt and soil geochemical surveys and prospecting. This work has identified an area hosting anomalous copper, silver and zinc in-soil geochemistry. Additional prospecting and geological mapping are planned in 2007. An aeromagnetic/radiometric survey contract signed in the previous quarter has been terminated due to equipment availability and scheduling issues.

In the nine months ended July 31, 2007, Bitterroot spent \$134,402 on the SPN project, net of refundable geophysical costs, mainly on geochemical surveys. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and execution of exploration programs on the SPN project.

Financial Condition

At July 31, 2007, Bitterroot had working capital of \$3,795,082. Resource properties had a book value of \$9,275,609, compared to \$6,556,517 at the beginning of the financial year. For the nine months ended July 31, 2007, cash inflows exceeded cash outflows by \$2,707,490 which when combined with the \$1,403,712 cash balance at the beginning of the year, resulted in a quarter-end cash position of \$4,111,202. The cash inflows were mainly a result of share issuances for net proceeds of \$5,312,769. Cash outflows were comprised principally of resource property expenditures of \$2,721,299 and operating expenses of \$314,245 (net of stock-based compensation and amortization).

Summary of Financial Results

During the nine months ended July 31, 2007, the Company had a net loss (net of stock-based compensation and future income tax recoveries) of \$218,584, compared to a net loss of \$221,948 in the first nine months of 2006. The decreased loss was mainly attributable to higher interest income and reduced resource property write-offs, which were partially offset by increased office costs, foreign exchange losses on US\$ cash balances and higher audit, management and professional fees.

SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with July 31, 2007. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	Quarter Ended July 31, 2007	Quarter Ended April 30 2007	Quarter Ended Jan 31 2007	Quarter Ended Oct 31 2006
Interest Income	31,939	35,567	26,510	15,850
Income (loss) for the period	(88,593)	(169,722)	263,838	(207,407)
General and administrative	(119,603)	(129,906)	(68,457)	(42,323)
Stock-based compensation	-	(82,322)	(395,792)	(179,656)
Write-off of resource property	(929)	(634)	(644)	(1,278)
Net Earnings (Loss) per share Basic and diluted	(0.00)	0.00	0.01	(\$0.01)

	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	119,514
General and administrative	(83,631)	(74,701)	(57,163)	(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

LIQUIDITY

During the nine months ended July 31, 2007, the Company received \$5,700,198 (before share issue costs) from the following:

- \$10,000 from the exercise of 100,000 stock options,
- \$902,373 from a private placement of 1,203,164 flow-through common shares priced at \$0.75 per share,

- \$2,530,001 from a private placement of 4,600,001 Units priced at \$0.55 per unit. Each Unit consists of one common share and one half of a common share purchase warrant. Each full warrant entitles the holder to acquire an additional common share of the Company at \$0.80, expiring November 17, 2008,
- \$211,260 from the exercise of a broker option,
- \$60,767 from an option payment by Cameco Corporation,
- \$1,579,974 from a private placement of 2,106,633 flow-through common shares priced at \$0.75 per share, and
- \$405,823 from Cameco for recovery of exploration expenditures and management fees.

The Company's working capital at July 31, 2007 was \$3,795,082, compared to working capital of \$1,426,118 at October 31, 2006. Accounts receivable at the end of the period included \$60,523 due from Cameco and \$143,942 of pending GST refunds. Current liabilities were \$532,014, consisting of accounts payable incurred in the normal course of the mineral exploration business. Accounts payable at the end of the quarter increased due to temporary payment delays, which were addressed in the first week of the fourth quarter.

As of the date of this report, there were 4,341,100 share purchase warrants exercisable at \$0.55, plus 2,300,000 warrants exercisable at \$0.80 and 123,998 warrants exercisable at \$0.75 outstanding. If exercised, the warrants would generate proceeds to the Company of \$4,320,603. As of the date of this report, there are also 4,715,000 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$2,522,050.

Bitterroot has sufficient cash reserves to fund its operating expenses in 2007, plus this year's exploration programs on the Mineral Creek, GK, North Brenda, Big Southeaster, and SPN projects in British Columbia, as required under the terms of their respective option agreements. In Michigan, Cameco Corporation has incurred exploration expenditures in excess of the \$500,000 required to be spent prior to August 31, 2007. In order to maintain its options within the area of interest, Cameco is required to fund an additional \$500,000 of exploration expenditures within a 72 square mile area prior to June 30, 2008. Cameco is currently in the process of funding these expenditures. Bitterroot's current cash balance is sufficient to fund planned uranium exploration in Michigan if Cameco declines to continue to fund exploration programs on Bitterroot's Michigan uranium targets. 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 ventures 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 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 quarter ended July 31, 2007:

- The Company incurred management fees of \$24,000 with a company controlled by the President of the Company. These fees were included in accounts payable at the end of the quarter.

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, 2007,
50,722,241 common shares, with a recorded value of \$16,311,814.
- c) Options outstanding at July 31, 2007

Number of Shares	Exercise Price	Expiry Date
115,000	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
950,000	0.70	January 11, 2012
100,000	0.99	April 4, 2012

- d) Warrants outstanding at July 31, 2007

Number of Shares	Exercise Price	Expiry Date
4,341,100	0.55	September 30, 2007
123,998	0.75	June 7, 2008
2,300,000	0.80	November 17, 2008

Stock-based Compensation

The weighted average grant-date value of options granted during the period ended July 31, 2007 was \$0.54 per option (July 31, 2006-\$0.27). Total compensation expense recognised for stock

options granted during the nine month period was \$635,276 (2006-\$305,300). Stock-based compensation of \$478,114 (2006-\$305,300) was expensed to operations for options granted to the Company's Directors and employees and \$157,153 (2006-\$nil) was capitalized to resource properties for options granted to consultants. These amounts represent the value of 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 judgements 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.

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.

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