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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**JULY 31, 2011**  
*(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, 2011, and for nine months ended July 31, 2011 and 2010, 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)  
(Expressed in Canadian Dollars)

	July 31 2011	October 31 2010
	\$	\$ <i>(audited)</i>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	116,205	585,399
Accounts receivable - other	164,877	118,137
Prepaid expenses	3,214	9,428
	<u>284,296</u>	<u>712,964</u>
Reclamation Deposit	23,300	23,300
Resource Properties (Note 3)	14,392,081	13,503,868
Equipment (Note 4)	10,393	12,513
	<u>14,710,070</u>	<u>14,252,645</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	53,847	182,103
Asset Retirement Obligation (Note 5)	26,737	24,872
Future Income Taxes (Note 11)	1,367,067	1,367,067
	<u>1,447,651</u>	<u>1,574,042</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 6)	20,234,137	19,528,877
Contributed Surplus (Note 7)	3,142,296	3,025,141
Deficit	(10,114,014)	(9,875,415)
	<u>13,262,419</u>	<u>12,678,603</u>
	<u>14,710,070</u>	<u>14,252,645</u>

Continuing Operations (Note 2)  
Commitments (Note 16)

Approved by directors:

"Michael S. Carr"  
Michael S. Carr, Director

"George W. Sanders"  
George W. Sanders, Director

The accompanying notes are an integral part of these consolidated financial statements.

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

	Three Month Period Ended July 31 2011	Three Month Period Ended July 31 2010	Nine Month Period Ended July 31 2011	Nine Month Period Ended July 31 2010
	\$	\$	\$	\$
<b>Revenue</b>	-	-	-	-
<b>Expenses</b>				
Accretion	621	565	1,865	1,696
Amortization	707	739	2,120	2,216
Foreign exchange loss	495	(379)	5,021	1,252
Interest and bank charges	772	181	2,060	1,047
Management fees (Note 10)	24,000	24,000	72,000	72,000
Office and printing	25,761	26,699	104,173	98,087
Professional fees	22,339	13,243	69,161	67,487
Property investigation	1,950	7,889	49,804	15,650
Regulatory fees	-	48	8,405	7,478
Shareholder information	292	399	14,732	10,614
Stock-based compensation	-	183	89,611	66,513
Transfer agent fees	2,584	7,301	13,581	14,245
	79,521	80,868	432,533	358,285
<b>Loss Before Other Items and Income Taxes</b>	(79,521)	(80,868)	(432,533)	(358,285)
<b>Other Items</b>				
Interest income	338	273	1,434	5,568
<b>Loss Before Income Taxes</b>	(79,183)	(80,595)	(431,099)	(352,717)
Future income tax recovery	-	-	192,500	278,097
<b>Net Loss For The Period</b>	(79,183)	(80,595)	(238,599)	(74,620)
Deficit, beginning of period	(10,034,831)	(6,862,528)	(9,875,415)	(6,868,503)
<b>Deficit, End Of Period</b>	(10,114,014)	(6,943,123)	(10,114,014)	(6,943,123)
<b>Basic And Diluted Loss Per Share</b>	(0.00)	(0.00)	(0.00)	(0.00)
<b>Weighted Average Number Of Shares Outstanding</b>	83,093,226	75,768,493	82,447,439	74,764,309

The accompanying notes are an integral part of these financial statements.

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

	Three Month Period Ended July 31 2011 \$	Three Month Period Ended July 31 2010 \$	Nine Month Period Ended July 31 2011 \$	Nine Month Period Ended July 31 2010 \$
<b>Operating Activities</b>				
Net (loss) earnings for the period	(79,183)	(80,595)	(238,599)	(74,620)
Items not involving cash				
Amortization	707	739	2,120	2,216
Accretion	621	565	1,865	1,696
Stock-based compensation	-	183	89,611	66,513
Future income tax recovery	-	-	(192,500)	(278,097)
Changes in non-cash working capital				
Accounts receivable - other	(50,570)	(17,171)	(46,740)	494,122
Prepaid expenses	595	3,023	6,214	15,183
Accounts payable and accrued liabilities	(15,647)	21,454	(129,605)	(122,217)
	(143,477)	(71,802)	(507,634)	104,790
<b>Financing Activity</b>				
Share issuances	209,000	-	980,200	678,200
Share issuance costs	(10,000)	-	(59,950)	-
	199,000	-	920,250	678,200
<b>Investing Activities</b>				
Purchase of capital assets	-	-	-	(6,023)
Resource property expenditures	(399,236)	(200,127)	(928,361)	(524,893)
Recoveries of resource property expenditures	2,006	-	46,551	-
	(397,230)	(200,127)	(881,810)	(530,916)
<b>Change in Cash During the Period</b>	(341,707)	(271,929)	(469,194)	252,074
Cash and cash equivalents, beginning of period	457,912	1,282,218	585,399	758,215
<b>Cash End of Period</b>	116,205	1,010,289	116,205	1,010,289

The accompanying notes are an integral part of these consolidated financial statements.

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTH PERIOD ENDED JULY 31, 2011**  
**(Expressed in Canadian Dollars)**

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**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, 2010, except where noted below, and should be read in conjunction with the audited annual financial statements.

**2. Continuing Operations**

Bitterroot Resources Ltd. incorporated in British Columbia, is a public company listed on the TSX Venture Exchange.

The Company is in the exploration stage and its principal business activity is the sourcing and exploration of resource properties.

At July 31, 2011, the Company was in the process of exploring its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Company incurred losses of \$238,599 for the nine month period ended July 31, 2011 (2010 - \$74,620) and had a deficit of \$10,114,014 at July 31, 2011 (October 31, 2010 - \$9,875,415) which has been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing, and generating revenues sufficient to cover its operating costs.

These consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the consolidated balance sheets.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Resource Properties**

	GK Property B.C., Canada	Mineral Creek Property B.C., Canada	North Brenda Property B.C., Canada	SPN Property B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$	\$	\$
<b>Balance - October 31, 2010</b>	2,576,636	5,189,113	1,848,980	513,540	3,375,599	13,503,868
Additions						
Deferred exploration costs						
Claims, leases and permits	1,125	2,204	1,125	1,125	28,808	34,387
Consulting and professional	87,666	56,350	59,065	1,644	98,585	303,310
Drilling	219,505	-	-	-	-	219,505
Field supplies	-	4,994	-	-	1,099	6,093
Fuel	-	1,193	-	-	94	1,287
Geochemistry	13,703	(4,315)	38,608	172	9,229	57,397
Geophysics	-	155,149	3,141	11,142	63,284	232,716
Ground transportation	227	2,076	-	-	2,332	4,635
Other	2,484	5,543	529	-	31,542	40,098
Recovery of costs	-	(45,563)	-	-	(988)	(46,551)
Room and board	139	2,127	-	-	2,636	4,902
Stock-based compensation	-	-	-	-	5,054	5,054
Travel and freight	368	188	-	41	7,563	8,160
Trenching	17,220	-	-	-	-	17,220
	342,437	179,946	102,468	14,124	249,238	888,213
<b>Balance - July 31, 2011</b>	2,919,073	5,369,059	1,951,448	527,664	3,624,837	14,392,081

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 Lands, Michigan, U.S.A.

(i) Mineral Rights

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 US\$1,000,000 on or before December 31, 2048.

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

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

(ii) Federal and State Leases

At July 31, 2011, the Company had been granted prospecting permits covering 1,059 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, 2011, the Company held leases covering approximately 1,400 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from 2% to 10.5%, 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 \$159,096 through February 28, 2014. Minimum rental payments due in the next five years are as follows:

	\$
2011	10,800
2012	13,200
2013	13,200
2014	13,200
2015	13,200

The Company retains a 35% interest in certain State of Michigan mineral leases within a 56 square mile area of interest. Cameco Corporation acquired the remaining 65% interest from the Company having incurred \$1,600,000 of exploration expenditures. Cameco and Bitterroot also jointly retain the right to acquire 50 percent of each other's interest in an adjoining 184 square mile area of interest by refunding 100 percent of any land acquisition cost incurred.

(iii) Private Leases

The Company holds private mineral leases covering approximately 1,240 acres in Michigan, U.S.A. In order to maintain the leases in good standing the Company must make aggregate rental payments of \$409,200 through January 12, 2020, and aggregate advance royalty payments of \$1,125,000 from January 12, 2021 through 2030. The vendor retains a sliding scale net smelter returns royalty indexed to the price of copper.

During the nine month period ended July 31, 2011, the Company incurred exploration expenditures of \$250,226 (2010 - \$71,272) relating to the Michigan properties and received recoveries of \$988 (2010 - \$14,107)

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**3. Resource Properties** *(Cont'd)*

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

The Company owns a 100% interest in the GK Property located east of the town of Beaverdell, British Columbia. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the nine month period ended July 31, 2011, the Company incurred exploration expenditures of \$342,437 (2010 - \$28,346) relating to the GK property.

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

The Company owns a 100% interest in the Mineral Creek Property, located near Port Alberni, British Columbia. Approximately 50% of the project area is subject to a 3.5% net smelter returns royalty.

During the nine month period ended July 31, 2011, the Company incurred exploration expenditures of \$225,509 (2010 - \$364,607) relating to the Mineral Creek property and received recoveries of \$45,563 (2010 - \$62,386).

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

The Company owns a 100% interest in the North Brenda molybdenum/copper/gold property in south western British Columbia. The vendors retain a 2% net smelter returns royalty, of which the Company can purchase half by paying \$1,000,000.

During the nine month period ended July 31, 2011, the Company incurred exploration expenditures of \$102,468 (2010 - \$103,649) relating to the North Brenda property.

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

The Company owns a 100% interest in the SPN claims, which are located approximately 20 kilometres southeast of Barriere, British Columbia. The vendor will also retain a 2% net smelter return royalty, of which the Company can purchase half by paying \$1,000,000.

During the nine month period ended July 31, 2011, the Company incurred exploration expenditures of \$14,124 (2010 - \$69,316) relating to the SPN property.

**4. Equipment**

	July 31 2011		October 31 2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	9,396	8,904	492	636
Field equipment	20,095	18,075	2,020	2,606
Furniture and fixtures	9,381	5,477	3,904	4,592
Leasehold improvements	10,646	6,669	3,977	4,679
	49,518	39,125	10,393	12,513

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**5. Asset Retirement Obligation**

The Company's obligations with respect to asset retirement relate to reclamation of the Mineral Creek Property site on which project operations are situated. The obligation is recognized in the period in which the obligation is created based on the estimated future reclamation costs using a credit-adjusted risk-free rate of 10 percent and estimated inflation of 1.92 percent annually. The total undiscounted future obligation is \$53,315. The Company estimates its obligations to be settled over approximately the next 9 years.

	\$
<b>Balance – October 31, 2010</b>	24,872
Accretion expense	<u>1,865</u>
<b>Balance – July 31, 2011</b>	<u>26,737</u>

**6. Share Capital**

## (a) Authorized

The authorized share capital consists of an unlimited number of common shares without par value.

## (b) Common Shares Issued

	Number Of Shares	Amount \$
<b>Balance - October 31, 2010</b>	75,768,493	19,528,877
Issued for cash		
Pursuant to private placements	9,322,220	955,778
Options exercised	10,000	1,933
Finders' fees	-	(46,240)
Share issue costs	-	(13,711)
Future income taxes on expenditures renounced to shareholders	-	<u>(192,500)</u>
<b>Balance – July 31, 2011</b>	<u>85,100,713</u>	<u>20,234,137</u>

**Flow through shares** - Of the shares issued during the nine month period ended July 31, 2011, 7,000,000 were issued on a flow through basis whereby the Company must spend \$770,000 on Canadian exploration expenditures and renounced these expenditures to shareholders over two years. As of July 31, 2011, the company has spent \$543,400 leaving a balance of \$226,600.

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

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

During the nine month period ended July 31, 2011, the Company issued common shares pursuant to the following:

- (i) On November 29, 2010, the Company issued 7,000,000 flow-through common shares priced at \$0.11 per share for gross proceeds of \$770,000.
- (ii) On March 7, 2011, 10,000 units of stock options were exercised at \$0.12 per option for gross proceeds of \$1,200. Accordingly \$733 was transferred from contributed surplus to capital stock.
- (iii) On June 24, 2011, the Company issued 2,322,220 units priced at \$0.09 per unit for gross proceeds of \$209,000. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant is exercisable at \$0.15 until June 24, 2013. The fair value of the warrants of \$23,222 was allocated to contributed surplus.

(c) Warrants

Warrant transactions are summarized as follows:

	Number Of Warrants	Weighted Average Exercise Price
		\$
<b>Balance - October 31, 2010</b>	849,454	0.12
Issued	1,161,110	0.15
Expired	(270,000)	0.12
<b>Balance – July 31, 2011</b>	<b>1,740,564</b>	<b>0.14</b>

The following share purchase warrants (convertible to an equivalent number of common shares) were outstanding at July 31, 2011:

Number Of Warrants	Exercise Price	Expiry Date
	\$	
250,000	0.12	December 10, 2011
329,454	0.11	November 24, 2012
1,161,110	0.15	June 24, 2013

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**7. Contributed Surplus**

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

	\$
<b>Balance – October 31, 2010</b>	3,025,141
Stock options exercised	(733)
Stock-based compensation	94,666
Warrants issued	23,222
<b>Balance – July 31, 2011</b>	<b>3,142,296</b>

**8. 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.

Pursuant to the option plan, options granted in respect of investor relations activities are subject to vesting restrictions such that one-quarter of the options vest three months from the date of grant and in each subsequent three-month period thereafter such that the entire option will have vested twelve months after the award date. Vesting restrictions may also be applied to certain other options grants, at the discretion of the directors.

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

	Number Of Options	Weighted Average Exercise Price \$
<b>Balance - October 31, 2010</b>	7,574,500	0.30
Options granted	1,405,000	0.12
Options exercised	(10,000)	0.12
Options expired or cancelled	(1,675,000)	0.28
<b>Balance – July 31, 2011</b>	<b>7,294,500</b>	<b>0.27</b>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. Stock Option Plan and Stock-Based Compensation (Cont'd)**

The following stock options were outstanding and exercisable at July 31, 2011:

Range Of Exercise Price	Options Outstanding			Options Exercisable	
	Options Outstanding	Weighted Average Remaining Contractual Life years	Weighted Average Exercise Price \$	Options Exercisable	Weighted Average Exercise Price \$
0.12 – 0.24	5,035,000	3.58	0.13	5,035,000	0.13
0.25 – 0.49	959,500	1.39	0.34	959,500	0.34
0.50 – 0.74	755,000	0.45	0.70	755,000	0.70
0.75 – 0.99	545,000	1.68	0.80	545,000	0.80
	7,294,500	2.82	0.27	7,294,500	0.27

Total compensation expense recognized for stock options granted during the nine month period ended July 31, 2011, was \$94,665 (2010 – \$82,633). Stock based compensation of \$5,054 (2010 – \$16,304) was capitalized to resource properties for options granted to consultants and \$89,611 (2010 - \$66,513) was expensed to operations for options granted to directors, consultants and employees of the Company.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options in the three month period ended July 31, 2011:

Volatility	106%
Risk-free interest rate	2.58%
Dividend yield	-
Expected life	5 years

**9. Supplemental Cash Flow Information**

Nine Month Period Ended July 31	2011	2010
	\$	\$
Cash paid during the period for income taxes	-	-
Cash paid during the period for interest	-	-

During the nine month period ended July 31, 2011, the Company issued nil (2010 – 434,783) shares in respect of option payments for resource properties, with a fair value of nil (2010 - \$50,000).

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**10. Related Party Transactions**

The following is a summary of related party transactions and balances for the nine month period ended July 31, 2011, not disclosed elsewhere in the financial statements:

- (a) Management fees of \$72,000 (2010 - \$72,000) were incurred from a company controlled by a director in common. 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) Stock-based compensation includes stock options granted to directors recorded at a fair value of \$56,095 (2010 - \$36,237).

**11. Income Taxes**

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at July 31, 2011 are presented below:

	\$
Net operating loss carry-forwards	1,378,729
Capital loss carry-forwards	30,678
Resource properties	(2,821,504 )
Equipment	10,478
Share issuance costs	34,552
<b>Net future income tax liability</b>	<b>(1,367,067 )</b>

The Company has approximately \$2,564,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2014	179,000
2015	242,000
2026	273,000
2027	414,000
2028	440,000
2029	506,000
2030	510,000
	<u>2,564,000</u>

The Company has non-capital losses for U.S.A. income tax purposes of approximately \$2,107,000 which can be carried forward to reduce income up until 2030.

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**12. 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 operates in both Canada and the U.S.A. The Company's resource properties and equipment in geographical locations are as follows:

	July 31 2011	October 31 2010
	\$	\$
Canada	10,777,637	10,140,782
U.S.A.	3,624,837	3,375,599
	<u>14,402,474</u>	<u>13,516,381</u>

**13. Financial Instruments**

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following categories: held-for-trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

	July 31 2011	October 31 2010
	\$	\$
Held for trading (i)	116,205	585,399
Loans and receivables (ii)	164,877	118,137
Other financial liabilities (iii)	53,847	182,103

- (i) Cash
- (ii) Receivables
- (iii) Accounts payable and accrued liabilities

The estimated fair values of cash and cash equivalents, receivable and accounts payable and accrued liabilities approximate their respective carrying values due to their nature and short terms to maturity.

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**14. Management of Capital**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties. The Company considers as its capital its shareholders' equity.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of certain of its assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors'.

There are no external restrictions on management of capital.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations. The Company currently has sufficient capital resources to meet its planned operations and administrative overhead expenses through its current operating period. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. The Company believes it will be able to raise capital as required in the long term, but recognizes there will be risks involved that may be beyond its control.

**15. Financial Instruments Risk Exposure and Management**

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company maintains sufficient cash and cash equivalents balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash and cash equivalents consist of cash deposited in business accounts and redeemable guaranteed investment certificates held by high credit quality financial institutions. The Company is not invested in any asset backed commercial paper.

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**15. Financial Instruments Risk Exposure and Management** *(Cont'd)*

(b) Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash and cash equivalents and reclamation deposits with high-credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The receivables balance consists of amounts owed from Cameco for reimbursement of mineral exploration expenditures, government investment tax credits, HST recoverable and interest receivable. There is ongoing review to evaluate the credit worthiness of these counterparties. The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents, receivables and reclamation deposits.

(c) Currency Risk

The Company's operations are in Canada and the United States. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency. The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time. A strengthening (weakening) of the Canadian dollar against the US dollar of 10% would not have a significant effect on net loss.

(d) Interest Rate Risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash and cash equivalents. The Company's practice has been to invest cash at floating rates of interest, in cash equivalents, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash and cash equivalents as they are generally held with large financial institutions.

**16. Commitments**

- (a) The Company is required to make certain cash payments and to issue shares to maintain its resource properties, as described in Note 3.
- (b) The Company has entered into an office lease expiring March 31, 2015 which calls for monthly payments of approximately \$1,528 in year one; \$1,584 in year two; \$1,641 in year three; \$1,698 in year four; and \$1,754 in year five, plus an applicable portion of operating costs.

**17. 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.

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**18. Subsequent Event**

The Company's field crews have staked the 40-claim Windy Property, covering approximately 398 square kilometres in southern Nunavut. The Windy Property covers parts of the under-explored early Proterozoic Kiyuk sedimentary sub-basin, which hosts several significant new gold discoveries.