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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2002**

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**CHARTERED ACCOUNTANTS**

**NEMETH THODY ANDERSON**

#540 – 475 West Georgia Street  
Vancouver, B.C.  
V6B 4M9

Phone: (604) 684-8221  
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**AUDITORS' REPORT**

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To the Shareholders of  
Bitterroot Resources Ltd.:

We have audited the consolidated balance sheet of Bitterroot Resources Ltd. as at October 31, 2002, and the consolidated statements of operations, deficit, and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2002, and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

*(Signed) Nemeth Thody Anderson*

Chartered Accountants  
Vancouver, B.C.  
December 4, 2002

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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEET**

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OCTOBER 31	2002	2001
	\$	\$

**ASSETS****Current Assets**

Cash	1,196	-
Accounts receivable	5,002	3,897
	<hr/>	<hr/>
	6,198	3,897

**Reclamation Deposit**

	5,804	5,804
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<b>Resource Properties</b> (Notes 2(b) and 3)	2,917,184	2,755,271
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<b>Property, Plant And Equipment</b> (Notes 2(c) and 4)	2,140	2,293
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	2,931,326	2,767,265
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**LIABILITIES****Current Liabilities**

Bank advances	-	1
Accounts payable and accrued liabilities (Note 6(b))	107,578	68,853
Loan payable	-	12,299
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	107,578	81,153
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**SHAREHOLDERS' EQUITY**

<b>Share Capital</b> (Note 5)	5,812,122	5,569,606
<b>Deficit</b>	(2,988,374)	(2,883,494)
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	2,823,748	2,686,112
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	2,931,326	2,767,265
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CONTINUING OPERATIONS (Note 1)

COMMITMENT (Note 10)

APPROVED BY THE DIRECTORS

(Signed) Michael S. Carr

Michael S. Carr, Director

(Signed) George W. Sanders

George W. Sanders, Director

Refer to accompanying notes.

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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

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<b>YEAR ENDED OCTOBER 31</b>	<b>2002</b>	<b>2001</b>
	\$	\$
<b>Revenue</b>		
Interest income	-	363
<b>Expenses</b>		
Amortization	619	735
Interest and bank charges	1,670	3,660
Foreign exchange loss	762	743
Management and geological fees	48,000	48,000
Office, printing and travel	25,283	15,832
Professional fees	15,679	28,320
Regulatory fees	7,274	5,600
Transfer agent fees	4,941	4,382
	<u>104,228</u>	<u>107,272</u>
<b>Loss Before Undernoted Items</b>	(104,228)	(106,909)
Write-off of resource property	(652)	(4,365)
<b>Net Loss For The Year</b>	(104,880)	(111,274)
Deficit, beginning of year	<u>(2,883,494)</u>	<u>(2,772,220)</u>
<b>Deficit, End Of Year</b>	<u>(2,988,374)</u>	<u>(2,883,494)</u>
<b>Loss Per Share</b>	(0.006)	(0.006)
<b>Weighted Average Number Of Shares Outstanding</b>	18,913,934	17,484,509

Refer to accompanying notes.

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**BITTERROOT RESOURCES LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

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<b>YEAR ENDED OCTOBER 31</b>	<b>2002</b>	<b>2001</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Activities</b>		
Net loss for the year	(104,880)	(111,274)
Items not involving cash		
Amortization	619	735
Write-off of resource properties	652	4,365
	<u>(103,609)</u>	<u>(106,174)</u>
Cash provided by changes in non-cash working capital items		
Accounts receivable	(1,105)	26,155
Accounts payable	38,724	25,652
	<u>37,619</u>	<u>51,807</u>
	<u>(65,990)</u>	<u>(54,367)</u>
<b>Financing Activities</b>		
Share issuance	242,516	171,008
Loan payable	(12,299)	(13,646)
	<u>230,217</u>	<u>157,362</u>
<b>Investing Activities</b>		
Resource properties	(162,565)	(111,973)
Reclamation deposit	-	15,575
Purchase of property, plant and equipment	(465)	-
	<u>(163,030)</u>	<u>(96,398)</u>
<b>Increase During The Year</b>	<b>1,197</b>	<b>6,597</b>
Bank advances, beginning of year	(1)	(6,598)
<b>Cash, End Of Year</b>	<b>1,196</b>	<b>(1)</b>

Refer to accompanying notes.

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED OCTOBER 31, 2002**

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**1. Continuing Operations**

Bitterroot Resources Ltd. (the "Company") has interests in mining properties currently at the exploration stage, the economic viability of which has not yet been assessed. The potential for recovery of costs incurred on these properties and of related deferred charges depends on the existence of sufficient quantities of ore, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain appropriate financing to put these properties into production, and the profitability of future production.

Since inception, the Company has incurred cumulative losses of \$2,988,374 and has a working capital deficiency of \$101,380 at October 31, 2002. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. Realization values may be substantially different from carrying values as shown in these financial statements should the Company be unable to continue as a going concern.

The Company's ability to meet its obligations and maintain its operations is contingent upon several factors, including profitable operations, successful completion of additional financing arrangements, the continuing support of its creditors, the sale of assets or the completion of a business combination with a company which would assist in obtaining necessary financing.

**2. Significant Accounting Policies**

To facilitate review of these financial statements, the significant accounting policies followed by the Company are summarized below:

(a) Basis Of Presentation

The consolidated financial statements include the accounts of the Company, which is incorporated under the laws of British Columbia, and its wholly-owned subsidiaries, Trans Superior Resources, Inc. and Voyageur Lands Corporation, both of which are Michigan corporations.

(b) Resource Properties

The Company capitalizes the costs of acquisition of resource properties as well as all costs of direct exploration and development on the properties, net of third party reimbursements and option payments, until such time as the project to which they relate is put into commercial production, sold, abandoned or recovery of costs is determined to be unlikely. These costs will be amortized over the estimated productive lives of the properties upon commencement of production using the unit-of-production method. Resource property costs not directly attributable to specific properties are expensed during the year. For properties which do not yet have proven reserves, the amounts shown represent costs to date and are not intended to represent present or future values. The underlying value of all properties is entirely dependent on the existence and economic recovery of reserves in the future.

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**BITTERROOT RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Significant Accounting Policies (Cont'd)**

(c) Property, Plant And Equipment

Property, plant and equipment are recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated amortization. When property, plant and equipment are sold or abandoned, the recorded costs and related accumulated amortization are removed from the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Amortization is calculated on the declining balance method at the following rates per annum:

Computer hardware	-	30%
Leasehold improvements	-	20%

(d) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of transaction. Revenues and expenses are translated at rates in effect at the time of the transaction. Gains and losses on translation are included in the results from operations.

(e) Use Of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates. Significant areas requiring the use of management estimates relate to the deferral and valuation of exploration expenditures.

(f) Loss Per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the year.

(g) Future Income Taxes

The Company has adopted the new CICA accounting standard of recording the value of future income tax benefits as an asset. However, as there is no certainty of the realization of such assets at this time, no value has been attributed to these benefits in these financial statements.

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

	2002		2001	
	Property Acquisition	Exploration	Total	Total
	\$	\$	\$	\$
Canada	57,171	255,670	312,841	175,060
U.S.A.	1,271,450	1,332,893	2,604,343	2,580,211
	1,328,621	1,588,563	2,917,184	2,755,271

Resource expenditures consist of:

	2002	2001
	\$	\$
<b>Canada</b>		
Mistassini Project		
Balance, beginning of the year	-	-
Expenditures incurred during the year:		
Aircraft charter	27,814	-
Consulting and professional	17,901	-
Field supplies	18,594	-
Food and accommodation	3,770	-
Geophysics	21,349	-
Land acquisition	29,323	-
Travel and freight	9,863	-
Other	2,608	-
	<hr/>	<hr/>
Balance, end of the year	131,222	-
Nipigon Project		
Balance, beginning of the year	175,060	58,330
Expenditures incurred during the year:		
Consulting and professional	800	23,762
Drilling	-	63,328
Geophysics	4,079	12,096
Property acquisition	1,113	16,096
Travel	1,046	1,448
Other	173	1,448
	<hr/>	<hr/>
	7,211	116,730
Total Expenditures incurred at the end of the year	182,271	175,060
Less : Write-off due to abandonment of property	(652)	-
	<hr/>	<hr/>
Balance, end of the year	181,619	175,060
<b>Total Resources Expenditures In Canada, End Of The Year</b>	<hr/>	<hr/>
	312,841	175,060

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

	<b>2002</b>	<b>2001</b>
	\$	\$
<b>Canada</b> <i>(Carried-forward from previous page)</i>	312,841	175,060
<b>U.S.A.</b>		
Michigan Lands		
Balance, beginning of the year	2,580,211	2,584,968
Expenditures incurred during the year:		
Consulting and professional	15,835	21,030
Leases and permits	11,807	9,298
Other	1,419	4,515
Total Expenditures incurred at the end of the year	29,061	34,843
Less: Exploration services reimbursement	(4,929)	(8,950)
Option payment	-	(30,650)
<b>Total Resource Expenditures in U.S.A., end of the year</b>	<b>2,604,343</b>	<b>2,580,211</b>
	<b>2,917,184</b>	<b>2,755,271</b>

(a) Michigan, U.S.A.

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

The Company owns a 100% interest in mineral rights covering approximately 461 square miles in the Upper Peninsula of Michigan, U.S.A. On approximately 204 square miles, the vendor retains a 2% net smelter return royalty (NSR) and the Company has the option to purchase one half of the total 2% NSR royalty by paying \$1,000,000 U.S. on or before December 31, 2048. The remaining 257 square miles are not subject to royalties or other encumbrances.

(ii) Federal And State Leases

At October 31, 2002, the Company had been granted prospecting permits covering 2,360 acres of federal mineral rights in Michigan. Prospecting permit applications for an additional 240 acres have been submitted. 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 October 31, 2002, the Company held leases covering approximately 1,360 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from two to seven percent.

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

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

(iii) Other Lease

During the year ended October 31, 1999, the Company entered into an agreement to lease approximately 880 acres of mineral rights from an unrelated Michigan corporation. At October 31, 2002, the company was in arrears on a lease payment due October 21, 2002.

(b) Mistassini, Quebec, Canada

During the year ended October 31, 2002, the company staked 463 claims covering approximately 25,000 hectares (62,000 acres) in the Othish/Mistassini region of northern Quebec. To date, the company has spent approximately \$29,323 on land acquisition costs.

(c) Nipigon Project, Ontario, Canada

During the year ended October 31, 1998, the Company staked 47 unpatented mining claims covering 752 hectares south of Lake Nipigon, Ontario. During the year ended October 31, 2001, the Company staked an additional 231 unpatented mining claims covering 3,696 hectares south of Lake Nipigon, Ontario. Annual assessment work of \$400 per claim unit per year is required to be reported to hold any claims beyond two years from the anniversary date of the recording claim. At October 31, 2002, the 278 unpatented mining claims were in good standing.

Subsequent to year end, 80 mining claims were allowed to expire and 42 claims were renewed for an additional year.

**4. Property, Plant And Equipment**

	<b>2002</b>		<b>2001</b>	
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
	\$	\$	\$	\$
Computer hardware	6,484	5,455	1,028	903
Leasehold improvements	5,654	4,543	1,111	1,390
	<b>12,138</b>	<b>9,998</b>	<b>2,140</b>	<b>2,293</b>

**5. Share Capital**

(a) Authorized

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

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

(b) Issued

	<b>Number Of Shares</b>	<b>Value \$</b>
<b>Balance, October 31, 1999</b>	14,796,447	5,239,770
Issued for settlement of debt	588,282	58,828
Issued for cash pursuant to private placement	1,000,000	100,000
<b>Balance, October 31, 2000</b>	16,384,729	5,398,598
Issued for settlement of debt	710,082	71,008
Issued for cash pursuant to private placement	1,000,000	100,000
<b>Balance, October 31, 2001</b>	18,094,811	5,569,607
Warrants exercised	340,000	34,000
Warrants exercised	1,480,000	148,000
Issued for cash pursuant to private placement	640,000	60,515
<b>Balance, October 31, 2002</b>	20,554,811	5,812,122

(c) Common Shares Reserved

At October 31, 2002, the Company has reserved a total of 1,670,032 common shares related to director and employee stock options:

<b>Number Of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	\$	
511,032	0.10	January 10, 2005
710,000	0.10	July 8, 2006
150,000	0.10	February 5, 2007
299,000	0.10	September 9, 2007

During the year, the company granted 449,000 common share options exercisable for a five-year period.

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

(d) Warrants

The following share purchase warrants were outstanding at October 31, 2002:

<u>Number Of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
	\$	
180,000	0.10	January 7, 2003
640,000	0.10	September 9, 2004

Each share purchase warrant allows the holder to purchase one common share of the Company at \$0.10 per share.

**6. Related Party Transactions**

The following is a summary of related party transactions and balances for the year ended October 31, 2002 not disclosed elsewhere in the financial statements:

- (a) Management and geological fees of \$48,000 (2001 - \$48,000) were incurred with a company controlled by a director in common with the Company.
- (b) Accounts payable at October 31, 2002 includes \$45,500 (2001 - \$41,048) due to a company controlled by a director in common with the Company.

**7. Income Taxes**

The Company has approximately \$906,051 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	<u>\$</u>
2003	176,381
2004	152,676
2005	158,802
2006	94,783
2007	113,409
2008	106,000
2009	<u>104,000</u>
	<u>906,051</u>

The potential income tax benefits of these losses have not been reflected in the financial statements as their realization is not virtually certain.

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

(a) Industry Information

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

(b) Geographic Information

The Company's non-current assets in geographic locations are as follows:

	<b>2002</b>	<b>2001</b>
	\$	\$
Canada	314,981	177,353
U.S.A.	<u>2,610,147</u>	<u>2,586,015</u>
	<u>2,925,128</u>	<u>2,763,368</u>

**9. Financial Instruments**

The carrying values of accounts receivable, accounts payable and accrued liabilities and loan payable as reflected in the balance sheet approximate their fair values. Due to the nature of the Company's financial instruments, there is no significant credit or interest rate risk.

**10. Commitment**

The company's subsidiary, Trans Superior Resources Inc., has issued irrevocable letters of credit for U.S. \$31,000 as security for the reclamation in connection with the Michigan mineral claims.

**Form 51-901F  
Year End Report**

**Incorporated as part of: \_\_\_ Schedule A  X  Schedules B & C**

**ISSUER DETAILS:**

NAME OF ISSUER: Bitterroot Resources Ltd.

ISSUER ADDRESS: 218-470 Granville Street, Vancouver, BC, V6C 1V5

CONTACT NAME: Michael S. Carr

CONTACT POSITION: President and Director

CONTACT TELEPHONE NUMBER: 604 922 1351

CONTACT EMAIL ADDRESS: mscarr@telus.net

WEB SITE ADDRESS: www.bitterrootresources.com

FOR THE YEAR ENDED: October 31 , 2002

DATE OF REPORT: March 12, 2003

**CERTIFICATE**

**THE SCHEDULES REQUIRED TO COMPLETE THIS REPORT ARE ATTACHED AND THE DISCLOSURE CONTAINED THEREIN HAS BEEN APPROVED BY THE BOARD OF DIRECTORS. A COPY OF THIS REPORT WILL BE PROVIDED TO ANY SHAREHOLDER WHO REQUESTS IT.**

**NAME OF DIRECTOR**

Michael S. Carr

**SIGN (TYPED)**

*“Michael S. Carr”*

**DATE SIGNED(Y Y/M M/D D)**

2003/03/12

**NAME OF DIRECTOR**

George W. Sanders

**SIGN (TYPED)**

*“George W. Sanders”*

**DATE SIGNED(Y Y/M M/D D)**

2003/03/12

**BITTERROOT RESOURCES LTD.  
YEAR END REPORT**

**For the twelve months ending October 31, 2002**

**Schedule B: Supplementary Information**

**Securities issued during the period:**

<b>Date</b>	<b>Security</b>	<b>Issue</b>	<b>Number</b>	<b>Price</b>	<b>Proceeds</b>	<b>For</b>	<b>Commission</b>
Nov 26/01	common	Warrant exercise	340,000	\$0.10	\$34,000	cash	Nil
Feb 7/02	common	Warrant exercise	1,480,000	\$0.10	\$148,000	cash	Nil
Sept 9/02	Units of one common share and one common share purchase warrant	Private placement	640,000	\$0.10	\$64,000	cash	Nil

Subsequent to the year-end, on January 6, 2003, 180,000 warrants expiring January 7, 2003 were exercised at \$0.10. On February 17, 2003, 240,000 warrants expiring September 9, 2004 were exercised at \$0.10.

**Options granted during the period:**

<b>Date</b>	<b>Number</b>	<b>Optionee</b>	<b>Exercise Price</b>	<b>Expiry date</b>
Feb 15/02	100,000	M.S. Carr & Associates Ltd.	\$0.10	Feb 5/07
Feb 15/02	25,000	consultant	\$0.10	Feb 5/07
Feb 15/02	25,000	consultant	\$0.10	Feb 5/07
Sept 9/02	299,000	George Sanders	\$0.10	Sept 9/07

During the fourth quarter, 360,000 options were cancelled following the resignation of a director and 25,000 expired.

There are no shares in escrow or subject to pooling agreements.

The Company's directors are Michael S. Carr, George W. Sanders and Terence S. Ortslan. The Company's officers are Michael S. Carr (President) and Terence S. Ortslan (Secretary). On September 5, 2002, Mr. David M. Hall resigned as a director and was replaced by Mr. George W. Sanders

## **Schedule C: Management Discussion**

### **Summary and Outlook for 2003**

#### **Upper Peninsula, Michigan**

Following 14 months of negotiation, Bitterroot entered into an option/joint venture agreement with Cameco Corporation covering exploration targets within a 600 square mile (1,500 square km) area of interest in the Upper Peninsula of Michigan. Data compilation programs and geophysical surveys conducted by Bitterroot and Cameco have identified a number of untested targets within the project area. Drilling is expected to commence in the first half of 2003.

Cameco will have the option to acquire a 65% interest in all targets within the area of interest by incurring total expenditures of C\$23,600,000 (US\$15,000,000) over a period of 18 years. Portions of the area of interest are subject to earn-in levels ranging from C\$1,000,000 to C\$10,000,000. Cameco must incur initial expenditures of C\$250,000 prior to December 31, 2003 and will be required to spend a total of C\$600,000 prior to December 31, 2004 to maintain the right to exercise the option. Minimum annual expenditures by Cameco of C\$500,000 will be required during the third and fourth years, increasing to C\$1,000,000 per year for subsequent years. During the first two years of the agreement, Bitterroot will be the project operator and receive total cash payments of C\$45,000, plus management fees. In year 3, Cameco will be required to make a cash payment of C\$45,000 to Bitterroot and inflation-adjusted payments of C\$60,000 per year thereafter.

The Cameco option currently excludes lands covering the 25 square-kilometre Echo Lake layered intrusion, which was drill-tested by Bitterroot in 1997. The Echo Lake intrusion has potential to host additional reef-type platinum/palladium mineralization along strike from the currently known low-grade mineralized zones. Bitterroot has also identified other areas on its 100 percent-owned lands which host gold and copper mineralization. Management plans to advance these targets by conducting additional geochemical and geophysical surveys in 2003.

Michigan experienced a resurgence of metals exploration by major mining companies in 2002. At least four companies will be drill-testing targets in the Upper Peninsula in 2003. Significant base metals mineralization was intersected by major mining companies on two projects in 2002. In light of the increase in exploration activity in Michigan, Bitterroot is continuing to acquire land in prospective areas and review potential acquisition targets.

## **Mistassini Region, Quebec**

In the summer of 2002, a program of regional heavy mineral sampling and prospecting was carried out in a 10,000 square-kilometre area within the Mistassini radiating dike swarm, southeast of the Otish Mountains. Approximately 60 heavy mineral samples were collected in order to characterize the source of approximately 25 aeromagnetic targets. The program located at least six layered intrusive bodies, which are believed to be the same age as the Mistassini radiating dike swarm. Follow-up sampling and prospecting is planned in 2003 to determine whether these intrusive bodies have potential to host Ni/Cu/PGE deposits.

Bitterroot is also reviewing gold opportunities in Quebec, due to the province's favourable geological potential, regulatory environment and financial incentives.

## **Nipigon, Ontario**

During the year, Bitterroot reduced the number of claims it held in the region south of Lake Nipigon. In late 2002, the Nipigon Geoscience Initiative was launched. This multidisciplinary project is being funded by the Ontario Heritage Fund. The Ontario Prospectors Association and the Ontario Geologic Survey have been retained to collect and compile geologic, geochemical and geophysical (aeromagnetic and gravity) data within the Lac des Iles and Nipigon region to aid exploration for Archean and Proterozoic Ni/Cu/PGE deposits. The Company will suspend work in the region until the release of the results of the Nipigon Geoscience initiative.

## **Description of Business**

Bitterroot Resources Ltd. is a mineral resource company engaged directly and indirectly through its subsidiaries, in the acquisition and exploration of mineral properties. The assets of Bitterroot include recorded mineral title interests covering approximately 461 square miles in the Upper Peninsula of the State of Michigan, U.S.A. The Company also leases approximately 1,360 acres of mineral rights from the State of Michigan and has been granted prospecting permits covering 2,360 acres of US federal mineral rights in Michigan. In Ontario, Canada, the Company currently owns 105 mining claims covering approximately 1,680 hectares of Crown lands in the Thunder Bay district. In Quebec, the Company has staked 463 claims covering approximately 25,000 hectares in the Otish/Mistassini region.

## **Discussion of Operations and Financial Condition**

### **Michigan Properties**

During the year, management started negotiating an option/joint venture agreement with Cameco Corporation. The agreement was completed in February 2003 and will result in drilling of several targets in 2003. During the year ended October 31, 2002, the Company spent \$24,132 advancing its projects in Michigan, mostly on legal and mineral lease costs.

### **Mistassini Project, Quebec**

In the first half of 2002, Bitterroot staked 463 claims covering approximately 25,000 hectares (62,000 acres) in the Otish/Mistassini region of northern Quebec. During late July and early August, Bitterroot's field crew conducted reconnaissance and target-specific kimberlite indicator mineral sampling, prospecting and magnetic surveys on and around the Company's claims. During the year ended October 31, 2002, the Company spent \$131,222 on the project, mainly on land acquisition and costs incurred completing the summer field program.

### **Nipigon Project, Ontario**

Bitterroot owns a 100 percent interest in 105 mining claims located in the Nipigon/Sibley basin, approximately 30 km. south of Lake Nipigon in the Thunder Bay mining district of Ontario. During the year ended October 31, 2002, Bitterroot spent \$7,211 on the project, mainly on acquisition of additional gravity data, geochemical analyses and claim staking.

### **Expenses**

Bitterroot's expenses during the year ended October 31, 2002 were \$104,228, down from \$107,272 in the previous financial year. The decrease in expenses is mainly due to lower professional fees and interest costs, which were partially offset by higher office, printing and travel costs, regulatory fees and costs incurred to distribute the Company's annual meeting materials.

## **Financing, Principal Purposes and Milestones**

Financings completed during the year were used for mainly for working capital (\$182,000) and the Mistassini project (\$64,000). (Refer to Note 5(b) in the audited financial statements).

## **Liquidity and Solvency**

The Company's working capital deficiency at October 31, 2002 was (\$101,380). Current liabilities totalled \$107,578 of which \$45,500 was owed to M. S. Carr & Associates Ltd. (MSCA), consisting of \$42,800 for management fees, \$2,445 in interest and \$255 in expenses paid on behalf of the Company. Excluding funds owed to MSCA; Bitterroot had a working capital deficiency of \$55,880 at the end of the year. Subsequent to the year-end, 420,000 warrants were exercised at \$0.10, generating working capital of \$42,000.

There are currently 400,000 common share purchase warrants outstanding, which if exercised would generate proceeds to the Company of \$40,000. There are also 1,670,032 stock options outstanding, which if exercised would provide total proceeds to the Company of \$167,003. The Company's ability to meet its ongoing obligations will be determined by management's success in acquiring mineral properties, obtaining equity financing, negotiating joint venture arrangements, and settling outstanding debts.

## **Risk Factors**

The forward-looking information in this document is based on the conclusions of management. The Company cautions investors that due to risks and uncertainties, actual events may differ materially from current expectations.

March 12, 2003