

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

For the period ended October 31, 2009

As of February 11, 2010

**Table of Contents**

<b>Summary of Activities .....</b>	<b>2</b>
<b>Introduction.....</b>	<b>2</b>
<b>Overall Performance .....</b>	<b>3</b>
<b>Results of Operations.....</b>	<b>3</b>
<b>Mineral Creek Gold Project, British Columbia.....</b>	<b>3</b>
<b>Michigan Uranium Joint Venture .....</b>	<b>4</b>
<b>North Brenda Copper/Molybdenum/Gold Project, British Columbia .....</b>	<b>4</b>
<b>SPN Copper/Gold Project, British Columbia .....</b>	<b>5</b>
<b>GK Gold/Silver Project, British Columbia.....</b>	<b>5</b>
<b>Big Southeaster Gold/VMS Project, British Columbia.....</b>	<b>6</b>
<b>Saskatchewan Coal Project.....</b>	<b>6</b>
<b>Selected Annual Information.....</b>	<b>6</b>
<b>Financial Condition .....</b>	<b>7</b>
<b>Summary of Financial Results.....</b>	<b>7</b>
<b>Changes in Accounting Policies .....</b>	<b>8</b>
<b>New Accounting Pronouncements.....</b>	<b>8</b>
<b>Summary of Quarterly Results.....</b>	<b>9</b>
<b>Liquidity.....</b>	<b>10</b>
<b>Fourth Quarter.....</b>	<b>11</b>
<b>Related Party Transactions.....</b>	<b>11</b>
<b>Additional Disclosure for Venture Issuers Without Significant Revenue .....</b>	<b>11</b>
<b>Management’s Responsibility for Financial Statements .....</b>	<b>13</b>
<b>Forward Looking Statements .....</b>	<b>13</b>

# **BITTERROOT RESOURCES LTD.**

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the period ended October 31, 2009

As of February 11, 2009

### **SUMMARY OF ACTIVITIES**

In the year ended October 31, 2009, the majority of Bitterroot Resources Ltd.'s Canadian exploration expenditures were on drilling, geological consulting and acquisition costs on the Mineral Creek gold project in British Columbia. In Michigan, the majority of exploration expenditures were for drilling and geological consulting costs incurred on the Cameco uranium joint venture. Exploration expenditures in the year, excluding recoveries and acquisition costs, were \$2,321,639. Funding from Cameco Corporation contributed \$676,244 to Bitterroot's working capital during the year, while expenses (net of stock-based compensation and foreign exchange losses on US dollar holdings) were \$344,037.

### **INTRODUCTION**

Bitterroot Resources Ltd. is a mineral resource company engaged directly and indirectly through its wholly-owned subsidiaries, (collectively referred to herein as "the Company" or "Bitterroot"), in the acquisition and exploration of mineral properties. On Vancouver Island, BC, the Company owns a 100 percent interest in the Mineral Creek gold property near Port Alberni, BC. Bitterroot is also owns a 100 percent interest in the adjoining Big Southeaster gold/base metals project. In southern BC, the Company owns a 100 percent interests in the GK (Au) and North Brenda (Mo/Cu/Au) projects and recently completed the acquisition of a 100 percent interest in the SPN (base metals) project. 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 has earned a 65% interest in a 56 square-mile area of interest. The Company also currently holds leases over 7,389 acres of state-owned mineral rights, most of which are subject to the Cameco joint venture.

During and subsequent to the year ended October 31, 2009, commodity prices and global equity markets rebounded strongly from lows recorded in late 2008. The Company is exposed to commodity price and equity market risk due to the cyclical nature of the mineral exploration business. Management currently seeks to minimize commodity risk by exploring for a number of mineral commodities (uranium, gold, copper, zinc and molybdenum) and seeks to minimize exploration costs and political risk by operating in mining-friendly road-accessible locations in North America (southern British Columbia, Vancouver Island and Michigan).

The following Management Discussion and Analysis (MD&A) should be read in conjunction with Bitterroot Resources Ltd.'s consolidated audited financial statements for the year ended October 31, 2009 and the audited annual consolidated financial statements and MD&A for the year ended October 31, 2008. This information and exploration results are presented in news releases available on [www.sedar.com](http://www.sedar.com) or on the Company's website ([www.bitterrootresources.com](http://www.bitterrootresources.com)).

## **OVERALL PERFORMANCE**

### **Results of Operations**

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

During the year ended October 31, 2009, Bitterroot increased its ownership interest in the 6,960 hectare (17,200 acre) Mineral Creek property from 75 percent to 100 percent by issuing 2,000,000 common shares and granting a 0.5% net smelter returns royalty to the vendor.

In 2009, the Company's drilling contractor completed 8,646 metres of drilling in 68 holes. Although most of this drilling focused on defining the Ember vein, with the previously stated goal of establishing a mineral resource compliant with NI 43-101, this objective was not achieved in 2009. High-grade portions of the vein were identified, but the Company's new Qualified Person has concluded that additional drilling is required in order to accurately define high-grade shoots hosting greater than 30 grams Au/tonne within the Ember vein. Drilling has defined the Ember vein structure over a strike length of approximately 150 metres and elevation range of at least 90 metres. A new mineralized vein (HW-1 vein) was also discovered in the hanging wall of the Ember vein. These en-echelon veins are offset or intruded by several mafic or ultramafic dykes. This year's drilling intersected a number of high-grade intervals, including a 4.2 metre (13.8 feet) core interval which grades 75.4 grams gold/tonne (2.2 ounces gold/ton). Drilling of the HW-1 vein returned a 0.3 metre-thick interval grading 137.5 grams gold/Tonne (1.0 feet grading 4.0 oz gold/ton) in hole BTT-E53. A second interval from the HW-1 vein also returned high-grade silver mineralization (1,170 grams silver/Tonne over 0.13 metres, or 0.43 feet grading 34.1 oz silver/ton) in hole BTT-E35. The HW-1 vein is the sixth high-grade gold-bearing vein identified to date on the Mineral Creek property, in addition to the Linda, Ember, 900, 1050 and Mineral Creek zones. The late arrival of the spring thaw shortened the drilling season on the property and did not allow the previously planned drill-testing of several other outlying targets identified by historical drilling, prospecting and recently completed VTEM airborne geophysical surveys.

Bitterroot has retained C.J. Greig and Associates Ltd. to undertake a thorough and extensive GIS-based compilation of all exploration data collected during the past 30 years on the property from over 70,000 metres of drilling, plus surface and underground exploration data collected by Bitterroot, Westmin Resources and others. This data compilation is expected to take several months to complete. The Company's objectives and strategy for the 2010 exploration program will be developed following the receipt of results from this data compilation.

As a condition of the property purchase agreement with the vendor Mineral Creek Ventures Inc. (MCVI), a company controlled by Michael Becherer, P. Geo, MCVI has the right to extract up to a 5,500 tonne bulk sample. The costs and proceeds of the first 2,500 tonnes mined from the Linda zone are split 50/50 by MCVI and Bitterroot. To date, MCVI has mined approximately 570 tonnes from an adit in the Linda vein. Sulphide concentrates derived from this material are currently being processed to generate a saleable gold/silver product. Sales of this material occur at the discretion of MCVI, the bulk sample project operator. As of the date of this report, Bitterroot has received \$56,795 for its 50% share of proceeds from bullion sales. MCVI reports

that bulk sampling is expected to resume in the spring of 2010. The Company has deferred indefinitely the planned acquisition of permits to mine and process larger tonnages of high-grade gold-bearing vein material, pending the outcome of the data compilation and bulk sampling.

In the year ended October 31, 2009, Bitterroot spent \$1,772,623 on the Mineral Creek project, net of stock-based compensation and recoveries, mainly on drilling, acquisition costs and geological consulting. Mr. Michael Becherer, P. Geo was the Qualified Person responsible for the design and implementation of exploration programs on the Mineral Creek project in 2009. Analyses were done at ALS Chemex in North Vancouver, BC, by ICP-AES and fire assay/AA methods. As of January 19, 2010, Mr. Charles Greig, P. Geo is the Qualified Person responsible for the design and implementation of exploration programs on the Mineral Creek project.

### **Michigan Uranium Joint Venture**

In December 2008, Bitterroot completed a 17-hole, 2,360-metre core drilling program, testing several basement-hosted conductive (graphitic) zones that are unconformably overlain by Proterozoic sandstones. Drilling intersected basement conductors and geochemically anomalous zones which the Company's management believes warrant further exploration. Cameco has elected not to provide funding in 2010. Bitterroot's management is currently pursuing additional joint venture partners for this project. In 2009, Cameco completed earning a 65 percent interest in Bitterroot's mineral rights within a 56 square-mile area of interest. Bitterroot also controls several nickel, copper and PGE targets on the Company's 363 square miles of 100 percent-owned mineral rights and other leases outside of the Cameco area of interest.

In the year ended October 31, 2009, Bitterroot and Cameco spent \$752,112 on the Michigan exploration projects net of stock-based compensation and recoveries, mainly on drilling and geological consulting. Cameco refunded approximately \$676,244 of exploration costs incurred during the year.

### **North Brenda Copper/Molybdenum/Gold Project, British Columbia**

In 2009, excavator trenching on Bitterroot's 100 percent-owned North Brenda property discovered a high-grade gold-bearing vein within a previously unexplored structural zone. The trenches tested the sources of several gold-in-soil anomalies. Five of the channel samples collected across the exposed portion of the vein returned greater than 19 g/t gold over true widths ranging from 9 to 25 cm, with a high value of 57.6 g/t gold and 9.3 g/t silver over 11 cm. Cross trenches exposed the vein along a strike length of 100 metres and have also intersected parallel mineralized quartz veins. The presence of a strong hydrothermal alteration envelope around the veins and untested gold-in-soil anomalies along trend, all within a coincident magnetic low suggest the presence of an unexplored gold-bearing system on the road-accessible North Brenda property. The geological setting and style of gold mineralization are similar to the 650,000-ounce Elk gold deposit, located 20 km southwest of North Brenda. A program of soil sampling and magnetometer surveying encompassing approximately 12 square km was undertaken in October to evaluate other prospective areas of the property. Several new gold/silver-in-soil anomalies were defined, as were two prominent copper/molybdenum-in-soil anomalies. Exploration of these targets will continue in 2010.

In the year ended October 31, 2009, Bitterroot spent \$161,710 on the North Brenda project, net of stock-based compensation and recoveries, mainly on geological consulting and acquisition costs. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the design and implementation of exploration programs on the North Brenda project. Analyses are done at ALS Chemex in North Vancouver, BC, by ICP-AES and fire assay/AA.

### **SPN Copper/Gold Project, British Columbia**

The 100 percent-owned SPN property is located approximately 20 kilometres southeast of Barriere, British Columbia. The 467-claim (9,490 hectares) property was staked to cover a relatively unexplored, road-accessible area which is the source of multi-element (Au, Ag, Cu, Co, Pb, Zn, As) stream silt geochemical anomalies. Additional stream-sediment sampling, prospecting, and soil sampling identified several areas with highly anomalous polymetallic silver and base metal (Cu-Zn) geochemistry and bimodal volcanic rocks, suggesting that the SPN property has potential to host silver-rich volcanogenic massive sulphide (VMS) mineralization similar to that found elsewhere on the Adams Plateau. Crews have since completed additional geological mapping and soil sampling. A close-spaced airborne VTEM geophysical survey has enhanced management's understanding of the property's geology. Encouraged by these results, Bitterroot has initiated a grid-based gravity survey to help further define the source(s) of the geochemical and geophysical anomalies. This survey is expected to be completed before spring 2010. The results of the gravity survey will guide exploration in the 2010 summer field season.

In the year ended October 31, 2009, Bitterroot spent \$32,323 on the SPN project, net of stock-based compensation, mainly on claims, acquisition costs and geophysical surveys. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the design and execution of exploration programs on the SPN project.

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

In 2009, the Company acquired additional claims adjacent to the Hornet zone. Approximately 700 metres of previously completed trenching at Hornet indicates the zone has a strike length of over 250 metres, and is open along strike and down-dip. Trench channel samples have returned assays of up to 22.1 grams Au/tonne over 5.2 metres. In 2008, drilling at Hornet intersected gold-bearing sulphide mineralization (1.47 grams Au/tonne over 13.9 metres). In 2010, Bitterroot's management plans to conduct prospecting and soil sampling on the recently-acquired claims.

In the year ended October 31, 2009, Bitterroot spent \$25,136 on the GK Project, net of stock-based compensation and recoveries, mainly on claims and geological consulting. Mr. Charles Greig, P.Geo is the Qualified Person responsible for the design and implementation of exploration programs on the GK project. Analyses are done at ALS Chemex in North Vancouver, BC, by ICP-AES and fire assay/AA.

### **Big Southeaster Gold/VMS Project, British Columbia**

In 2009, no field work was conducted on the 100 percent-owned Big Southeaster project, near Port Alberni, BC. These claims are contiguous with the Mineral Creek project. In the year ended October 31, 2009, Bitterroot spent \$59,212 on the Big Southeaster project, net of stock-based compensation and recoveries, mainly on acquisition costs.

### **Saskatchewan Coal Project**

Bitterroot holds Coal Prospecting Permits covering 1,248 hectares (3,084 acres) in eastern Saskatchewan. These permits are located approximately 25 kilometres east of Hudson Bay, SK and cover road-accessible occurrences of coal-bearing strata of the Lower Cretaceous Mannville Group. The Company's management is currently reviewing its options for exploring these lands. In November 2008, The Mines Branch of Manitoba's Department of Science, Technology, Energy and Mines refunded Bitterroot's deposits totalling \$663,068, for previously withdrawn Quarry (Coal) Exploration Permits.

In the year ended October 31, 2009, Bitterroot incurred expenses of \$1,586 on the Saskatchewan/Manitoba Coal project, mainly on land holding costs.

## **SELECTED ANNUAL INFORMATION**

The following table contains selected financial data for the previous three years ending October 31, 2009. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	<b>October 31, 2009</b>	<b>October 31, 2008</b>	<b>October 31, 2007</b>
Interest Income	22,401	87,506	125,461
Net Loss	(590,566)	(682,537)	(914,582)
Loss per-share	(0.01)	(0.01)	(0.02)
Loss per-share, Fully diluted	(0.01)	(0.01)	(0.02)
Net Income (loss)	(431,295)	(645,689)	(660,256)
Total Assets	16,423,589	15,595,900	13,986,139
Long-term financial Liabilities	nil	nil	nil
Cash dividends/share	nil	nil	nil

Revenues fluctuate annually based on the amount of interest income earned from the unspent proceeds of equity financings or recoveries. Loss before discontinued operations and extraordinary items in 2009 and 2008 fluctuated mainly due to variations in property investigation costs (recoveries) (2009- \$(13,345), 2008- \$78,146), foreign exchange losses or (gains) (2009- \$56,187, 2008- \$(19,263) and measurements of stock-based compensation (2009- \$212,743, 2008- \$351,498), which are included in expenses. Excluding stock-based compensation, 2009 losses (\$400,224) were approximately 5% lower than losses in 2008 (\$418,547), mainly due to reduced property investigation costs (recoveries) (2009- \$(13,345), 2008- \$78,146) which was partially offset by higher foreign exchange losses (2009- loss of 56,187, 2008- gain of \$19,263). The remaining expenses remained relatively constant from 2009 to 2008. Total assets have grown annually due to capitalization of exploration expenditures which have been in excess of recoveries and property write-offs.

## **Financial Condition**

At October 31, 2009, Bitterroot had working capital of \$1,125,240, which included accounts receivable of \$35,876 due from Cameco, \$40,452 due from GST refunds and \$439,929 due from British Columbia Mineral Exploration Tax Credits (BCMETS). All of these amounts were received subsequent to the year end, except for estimated 2009 BCMETS of \$67,237, which will be applied for when the Company's 2009 corporate tax return is filed. Resource properties had a book value of \$15,090,668 compared to \$13,887,432 at the beginning of the year and \$14,680,826 at the beginning of fourth quarter of the 2009 financial year. For the year ended October 31, 2009, cash inflows exceeded cash outflows by \$376,258, which when combined with the \$381,957 cash balance at the beginning of the year, resulted in a year-end cash position of \$758,215. Cash outflows were comprised principally of net resource property expenditures of \$1,194,779 (after recoveries, excluding stock-based compensation) and operating expenses of \$397,036 (net of stock-based compensation and amortization).

## **Summary of Financial Results**

During the year ended October 31, 2009, the Company had a loss before income tax adjustments of \$588,454, compared to a loss of \$747,387 in the prior year. The reduced loss during the period was mainly attributable to lower stock-based compensation charges plus mineral property cost recoveries, which was partially offset by increased foreign exchange losses on US dollar cash holdings. Excluding stock-based compensation, property investigation expenses and amortization charges, the Company's operating expenses for the year were \$410,381, which is approximately 22% higher than operating expenses incurred during the same period of the previous year. Fluctuating C\$/US\$ exchange rates resulted in a 2009 foreign exchange loss on US\$ cash holdings, of \$56,187 (2008- forex gain of \$19,263). The significant decline in the value of the US\$ vs. the C\$ in 2009 served to erode the value of the Company's US\$ cash balances. These US\$ cash balances have since been reduced.

## **Changes in Accounting Policies**

Effective November 1, 2008, the Company adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants.

### **(i) Assessing Going Concern – Section 1400**

The Accounting Standards Board (“AcSB”) amended the Section 1400, to include requirements for management to assess an entity’s ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity’s ability to continue as a going concern.

### **(ii) Goodwill and Intangible Assets**

In February 2008, the CICA issued Section 3064 which replaces Section 3062, “Goodwill and Other Intangible Assets”. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets.

## **New Accounting Pronouncements**

### **(i) Business Combinations**

In January 2009, the CICA issued Section 1582 – “Business Combinations” which replaces the existing standard. The section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. This standard is equivalent to the International Financial Reporting Standards (“IFRS”) on business combinations. This standard is applied prospectively to business combination with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Financial Statements.

### **(ii) Consolidated Financial Statements and Non-Controlling Interest**

In January 2009, the CICA issued Section 1601 – “Consolidated Financial Statements” and Section 1602 – “Non-Controlling Interests” effective for fiscal years beginning on or after January 1, 2011. Earlier adoption of these recommendations is permitted. These standards further align Canadian GAAP with US GAAP and IFRS. Sections 1601 and 1602 change the accounting and reporting for ownership interests in subsidiaries held by parties other than the parent. The Company is currently considering the impact of adopting these pronouncements on its consolidated financial statements in fiscal 2012 in connection with the conversion to IFRS.

(iii) International Financial Reporting Standards

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with October 31, 2009. Financial information is prepared according to Canadian GAAP and is reported in Canadian dollars.

	<b>Quarter Ended Oct 31, 2009</b>	<b>Quarter Ended July 31, 2009</b>	<b>Quarter Ended April 30, 2009</b>	<b>Quarter Ended Jan 31, 2009</b>
Interest Income	2,079	3,052	17,277	43
Income (loss) for the period	(112,266)	(211,341)	(187,957)	703,061
General and administrative	(114,345)	(216,505)	(205,184)	(76,933)
Stock-based compensation	(26,060)	(97,930)	(84,186)	(4,567)
Write-off of resource property	-	-	-	-
Net Earnings (Loss) per share Basic and diluted	(0.00)	(0.00)	(0.00)	0.01

	<b>Quarter Ended Oct 31, 2008</b>	<b>Quarter Ended July 31, 2008</b>	<b>Quarter Ended April 30 2008</b>	<b>Quarter Ended Jan 31 2008</b>
Interest income	28,832	16,046	19,240	23,388
Income (loss) for the period	(647,231)	(279,860)	(184,048)	465,450
General and administrative	(79,090)	(140,447)	(131,672)	(71,430)
Stock-based compensation	(142,166)	(145,439)	(63,892)	-
Write-off of resource property	(64,850)	-	-	-
Net Earnings (Loss) per share Basic and diluted	(0.01)	(0.00)	(0.00)	0.01

## LIQUIDITY

During the year ended October 31, 2009, the Company received;

- \$794,400 (before share issue costs) from three private placements of a total of 6,620,000 flow-through common shares, all priced at \$0.12,
- \$676,244 of exploration cost recoveries and management fees from Cameco Corporation,
- \$796,777 from BC METC refunds for exploration done in 2006 and 2007,
- \$663,068 from Manitoba Mines Branch for withdrawn Quarry Exploration Permits,
- \$218,790 (before share issue costs) from a private placement of 1,287,000 flow-through common shares priced at \$0.17,
- \$7,200 from the exercise of 60,000 share purchase warrants.

The Company's working capital at October 31, 2009 was \$1,125,240, compared to working capital of \$1,277,505 at October 31, 2008. Current liabilities were \$182,435, which consisted of accounts payable incurred in the normal course of the mineral exploration business, plus \$85,000 accrued for accounting (covering six quarters for which invoices had not been submitted) and annual audit fees. The 2008 BCMETC refund of \$376,479 was received on February 10, 2010.

At October 31, 2009, there were 628,800 share purchase warrants outstanding, which are exercisable at prices between \$0.12 and \$0.35. If exercised, the outstanding warrants would generate proceeds to the Company of \$132,048. There were also 6,244,500 incentive stock options outstanding, which if exercised would provide proceeds to the Company of \$2,560,245.

Bitterroot has sufficient cash reserves to fund its operating expenses in 2010. Budgets have not yet been approved for this year's planned exploration programs on the 100 percent-owned Mineral Creek, SPN, GK and North Brenda projects in British Columbia, nor has a budget been approved for Bitterroot's 35% share of funding for the Cameco joint venture in Michigan. Management believes that it would be prudent to source additional funding prior to the resumption of drilling on any of the Company's projects. The budget for the Mineral Creek project will be established following completion of a comprehensive data compilation on the Mineral Creek project. The budget for the SPN project will be determined following completion and analysis of the gravity survey which is currently underway.

Bitterroot's ability to meet its ongoing financial obligations will be determined by management's success in acquiring mineral properties, obtaining equity financing, negotiating joint venture arrangements and facilitating the exercise of outstanding share purchase warrants and options. 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. Details of funding commitments on the Company's resource properties are disclosed in Note 3 of the Consolidated Financial Statements for the year ended October 31, 2009.

## **FOURTH QUARTER**

During the fourth quarter, the Company's financial condition was not materially affected by extraordinary items or year-end adjustments. On the Mineral Creek gold project, exploration drilling continued until mid-November 2009. First-stage processing of crushed vein material from the bulk sample was suspended in December 2009, due to the onset of winter weather. Off-site recovery of gold from sulphide concentrates is continuing. A gravity survey was initiated on the SPN property. Trenching was completed on the North Brenda property in late October. Funds were consumed in the normal course of managing and executing these mineral exploration programs. Cash balances decreased by \$872,380 during the fourth quarter as drilling and bulk sampling were occurring simultaneously at the Mineral Creek project and trenching was underway at the North Brenda property. Drilling at Mineral Creek was the largest expenditure incurred during the fourth quarter. The carrying value of the Company's resource properties increased by \$409,842 and no common shares were issued during the fourth quarter.

## **RELATED PARTY TRANSACTIONS**

The following is a summary of related party transactions and balances for the years ended October 31, 2009 and 2008,

- (a) Management fees of \$96,000 (2008 - \$96,000) 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) Accounts payable at October 31, 2009 includes \$nil (2008 - \$2,485) due to a company controlled by a director in common.
- (c) Stock-based compensation includes stock options granted to directors recorded at a fair value of \$184,981 (2008 - \$306,480).

## **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 October 31, 2009 was 69,432,044 common shares with a recorded value of \$19,049,894.  
As of the date of this report there are 75,768,493 common shares outstanding.

c) Options outstanding at October 31, 2009

Number of Options	Exercise Price	Expiry Date
500,000	0.39	March 17, 2010
1,125,000	0.53	April 4, 2011
925,000	0.70	January 11, 2012
100,000	0.99	April 14, 2012
585,000	0.35	September 14, 2012
340,000	0.36	February 7, 2013
60,000	0.40	June 9, 2013
445,000	0.76	June 25, 2013
174,500	0.26	September 17, 2013
855,000	0.13	February 9, 2014
1,135,000	0.17	July 30, 2014
<b>6,244,500</b>		<b>Total</b>

d) Warrants outstanding at October 31, 2009

Number of Warrants	Exercise Price	Expiry Date
240,000	\$0.35	March 14, 2010
54,000	\$0.17	July 31, 2010
64,800	\$0.12	November 3, 2010
210,000	\$0.12	December 3, 2010
60,000	\$0.12	December 18, 2010
<b>628,800</b>		<b>Total</b>

**Subsequent to the end of the fourth quarter;**

- (i) On December 14, 2009, the Company issued 5,901,666 flow-through common shares priced at \$0.12 per share for gross proceeds of \$708,200, and 250,000 non-transferable broker warrants to purchase common shares at \$0.12, expiring June 14, 2011. Both the shares and broker warrants are subject to a hold period expiring April 11, 2010.
- (ii) On December 21, 2009, the Company granted incentive stock options to acquire 755,000 common shares at \$0.12 per share, expiring December 20, 2014 to directors, employees and consultants.
- (iii) The Company earned its 100% interest in the SPN claims by issuing 434,783 common shares in the Company.
- (iv) On February 10, 2010, the Company received a BC Mining Exploration Tax Credit, plus interest in the amount of \$376,479, relating to the fiscal year ending October 31, 2008.

## **Stock-based Compensation**

Total compensation expense recognized for stock options granted during the year ended October 31, 2009 was \$212,743 (2007 - \$351,498).

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

Information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management maintains a system of internal controls to provide reasonable assurances that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

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

—