

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

For the period ended January 31, 2014  
As of March 24, 2014

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# **BITTERROOT RESOURCES LTD.**

## **MANAGEMENT DISCUSSION & ANALYSIS**

For the period ended January 31, 2014

As of March 24, 2014

### **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. In Michigan, Bitterroot’s wholly-owned subsidiary Trans Superior Resources, Inc. owns recorded mineral title interests covering approximately 363 square miles and leases 2,378 acres of State of Michigan mineral rights in the Upper Peninsula. In southern British Columbia, the Company owns 100 percent interests in the GK (Au), North Brenda (Au/Cu/Mo) and SPN (base metals) claims.

During and subsequent to the period ended January 31, 2014 and up to the date of this report, gold spot prices were relatively unchanged and copper spot prices declined approximately 10%. The Company is exposed to commodity price and equity market risk due to the cyclical nature of the mineral exploration business. Management seeks to minimize commodity risk by exploring for several metals (primarily nickel, copper and PGMs) and seeks to minimize exploration costs and political risk by operating in mining-friendly, road-accessible locations in North America.

The following Management Discussion and Analysis (MD&A) should be read in conjunction with Bitterroot Resources Ltd.’s condensed consolidated interim financial statements for the period ended January 31, 2014 and the related notes contained therein which have been prepared under International Reporting Financial Standards (“IFRS”). The following should also be read in conjunction with the audited annual consolidated financial statements and MD&A for the year ended October 31, 2013. This information and exploration results are presented in news releases and project summaries available on [www.sedar.com](http://www.sedar.com) or on the Company’s website ([www.bitterrootresources.com](http://www.bitterrootresources.com)).

All financial information in this MD&A related to 2014 and 2013 has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

### **FORWARD LOOKING STATEMENTS**

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information may include, but is not limited to, information which reflect management’s expectations regarding the Company’s future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Often, this information includes words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate” or “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

In making and providing the forward-looking information included in this MD&A the Company's assumptions may include among other things: (i) assumptions about the price of base metals; (ii) that there are no material delays in the optimisation of operations at the properties; (iii) assumptions about operating costs and expenditures; (iv) assumptions about future production and recovery; (v) that there is no unanticipated fluctuation in foreign exchange rates; and (vi) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) decreases in the price of base metals; (ii) the risk that the Company will continue to have negative operating cash flow; (iii) the risk that additional financing will not be obtained as and when required; (iv) material increases in operating costs; (v) adverse fluctuations in foreign exchange rates; and (vi) environmental risks and changes in environmental legislation.

This MD&A (See "Risks and Uncertainties") contains information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

## **SUMMARY OF ACTIVITIES**

In the three months ended January 31, 2014, the majority of Bitterroot Resources Ltd.'s exploration expenditures were on ground-based geophysical (electromagnetic and gravity) surveys, geological consulting and land acquisition on nickel-copper-PGM targets in Michigan. Exploration and evaluation expenditures in the period were \$142,478. Operating expenses were \$66,559.

In early March 2014, the Company closed a non-brokered private placement and issued 5,200,000 units at a price of \$0.05 per unit for gross proceeds of \$260,000. Each unit consists of one common share and one common share purchase warrant which is exercisable at \$0.10 expiring March 4, 2015. In connection with this private placement, the Company issued 245,000 broker warrants which are exercisable into common shares at \$0.10 per share expiring March 4, 2015.

## OVERALL PERFORMANCE

### Results of Operations

#### *Michigan Lands, Michigan*

Bitterroot Resources Ltd. owns a 100% interest in approximately 360 square miles of mineral rights in the Upper Peninsula of Michigan, U.S.A. On approximately 100 square miles (the "Copper Range Lands") the vendor retains a 2% net smelter return royalty (NSR) and the Company has the option to purchase one half of this NSR royalty by paying \$1,000,000 U.S. on or before December 31, 2048. The Company's remaining wholly-owned mineral rights (the "Voyageur Lands") are not encumbered by royalties. The Company also currently holds leases covering 2,378 acres of State of Michigan mineral rights. State leases are subject to a sliding scale production royalty ranging from 2% to 7%, or to a net smelter returns royalty, the terms of which are negotiated on a case-by-case basis.

In 2012, a 5,566 line-kilometre aeromagnetic and VLF-EM survey identified several new targets on Bitterroot's 100 percent-owned mineral rights. These targets are prospective for nickel-copper-PGM-bearing sulphides similar to the high-grade Eagle deposit (5.3 million tonnes @ 3.1% Ni and 2.5% Cu). The Eagle deposit is located in a similar geological setting, approximately 75 km northeast of the area covered by Bitterroot's aeromagnetic survey. Between October 2012 and the date of this report, Bitterroot's geophysical contractors surveyed over 157 line-kilometres with Pulse EM (PEM) and collected over 3,900 gravity measurements on twelve targets. The PEM and gravity surveys have identified five high priority magmatic nickel-copper-PGM drill targets on Bitterroot's 100 percent-owned mineral rights. These targets host coincident magnetic, PEM and gravity anomalies.

In October 2013, Bitterroot Resources Ltd.'s drilling contractor completed 1,115-metres of core drilling to test two targets. Drilling did not intersect mineralization and these two targets have been downgraded.

In September 2013, the Company, through its Michigan subsidiary, entered into agreements to purchase mineral rights on 160 acres of land in Houghton County, Michigan (Target F). This transaction was completed in late December 2013. Negotiations with surface owners are underway.

In December 2013 and January 2014, an 800-station gravity survey was conducted on Target H. On Target F-West, a 12 line-kilometer Pulse EM survey was done in February 2014. These surveys have defined several drill targets.

In March 2014, the Company mobilized a drill rig to test Target H. One 316 meter-long drill hole was completed, which intersected metasediments of the Michigamme Formation. Core logging has been completed and geochemical analyses are in process. Additional drilling is planned in mid-2014, following the removal of seasonal County road load restrictions.

During the period ended January 31, 2014, Bitterroot spent \$141,492 on its Michigan exploration projects, mainly on geophysical surveys, land acquisition and geological consultants. The Company wrote-down \$1,310,039 of costs related to exploration on two targets in Michigan during the year ended October 31, 2013. Mr. Glenn Scott, P.Geo is the Qualified Person responsible for the technical content of this disclosure.

### ***North Brenda Project, British Columbia***

Soil sampling, mapping and prospecting have expanded the size of multi-element soil geochemical anomalies located in recently logged areas. No field work was done on the North Brenda property in 2013.

During the period ended January 31, 2014, Bitterroot spent \$986 on the North Brenda property. Approximately half of the property will no longer be pursued by the Company. As a result, the Company wrote-down \$1,076,998 of costs related to the North Brenda property during the year ended October 31, 2013. Mr. Charles Greig, P. Geo is the Qualified Person responsible for the technical content of this disclosure.

#### *Other*

The Company owns 100% interests in the GK (Au) and SPN (base metals) claims in southern BC. No work was done on these properties in 2013 and the three month period ended January 31, 2014.

## **SUMMARY OF FINANCIAL RESULTS**

### ***Revenues***

Due to the Company's status as an exploration and development stage mineral resource company and a lack of commercial production from its properties, the Company currently does not have any revenues from its operations.

### ***General and administrative expenses***

During the period ended January 31, 2014, the Company recorded a loss of \$66,559 (\$0.00 per share) compared to a loss of \$55,306 (\$0.00 per share) for the period ended January 31, 2013.

General and administrative expenses were \$66,559 for the period ended January 31, 2014 compared to \$57,923 for the period ended January 31, 2013. Expenses details are as follows:

- a) Management fees of \$30,000 (2012 - \$24,000) – the increase is due to increased fees.
- b) Foreign exchange loss of \$4,090 (2012 -\$859) – the change in foreign exchange was due to fluctuations in the USD exchange rates during the period.
- c) Office and printing of \$25,399 (2012 - \$20,790) – the increase is due to miscellaneous costs associated with a property that was written down in fiscal 2013.

## SUMMARY OF QUARTERLY RESULTS

The following tables set forth a comparison of revenues and expenses for the previous eight quarters ending with January 31, 2014.

	January 31, 2014	October 31, 2013	July 31, 2013	April 30, 2013
Revenue	\$ nil	\$ nil	\$ nil	\$ nil
Loss for the period	(66,559)	(2,911,247)	(67,608)	(92,394)
Exploration and evaluation assets	4,919,701	4,777,223	7,131,874	7,054,268
Total assets	5,296,991	5,407,697	7,210,415	7,326,391
Loss per share	(0.00)	(0.02)	(0.00)	(0.00)

	January 31, 2013	October 31, 2012	July 31, 2012	April 30, 2012
Revenue	\$ nil	\$ nil	\$ nil	\$ nil
Earnings (loss) for the period	(55,306)	462,255	(4,659)	(247,179)
Exploration and evaluation assets	6,614,003	6,336,888	6,084,316	5,911,256
Total assets	7,431,133	7,428,677	7,400,049	7,718,199
(Loss) income per share	(0.00)	0.00	(0.00)	(0.00)

During the quarter ended October 31, 2013, the Company recorded share-based payments of \$76,077 and wrote-down \$2,744,245 of its North Brenda, Windy and Michigan properties.

During the quarter ended October 31, 2012, the Company recorded a deferred income tax recovery of \$744,000 and share-based payments expense of \$168,638.

## FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2014, the Company had cash of \$341,979, accounts payable and accrued liabilities of \$46,896 and working capital of \$302,767.

In March 2014, the Company received \$260,000 from the issuance of 5,200,000 common shares from the completion of a non-brokered private placement.

## RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions and balances for the period ended January 31, 2014:

- (a) Management fees of \$30,000 (2013 - \$24,000) were incurred from a company controlled by the CEO of the Company.

## **NEW ACCOUNTING STANDARDS AND INTERPRETATION**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, including IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest of Other Entities, and IFRS 13 Fair Value Measurement. The Company has adopted these policies and none of them have a significant effect on the condensed interim consolidated financial statements.

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

### **Accounting Standards Issued and Effective January 1, 2014**

IAS 32, "Financial Instruments: Presentation" clarifies certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

## **FINANCIAL INSTRUMENTS AND RISKS**

### **Capital management**

The Company manages its capital to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns to shareholders and benefits to other stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses and private placements, or return capital to shareholders. As at January 31, 2014 the Company does not have any debt and is not subject to externally imposed capital requirements.

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, interest rate risk and price risk. Where material, these risks are reviewed and monitored by the Board of Directors.

## **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 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 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.

## **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, receivables and reclamation deposits. The Company limits exposure to credit risk by maintaining its cash 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 GST recoverable. 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, receivables and reclamation deposits.

## **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.

## **Interest rate risk**

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. The Company's practice has been to invest cash at floating rates of interest, 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 as they are generally held with large financial institutions.

## **Price risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

## **Fair value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

*Level 1* – Unadjusted quoted prices in active markets for identical assets or liabilities;

*Level 2* – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

*Level 3* – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 inputs of the fair value hierarchy.

The estimated fair value of financial liabilities is equal to their carrying values due to the short-term nature of these instruments.

## **RISKS AND UNCERTAINTIES**

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operation risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing government law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian dollar and the United States dollar, which are beyond the Company's control.
- Regulatory risks include the possible delay in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, increased fees for filing, the introduction ever more complex reporting requirements the cost of which the Company must meet in order to maintain its exchange listing and the resulting potential for accounting errors which may lead to fines, interest charges and cash calls.

Bitterroot's ability to meet its ongoing financial obligations will be determined by management's success in acquiring exploration and evaluation assets, obtaining equity financing, negotiating joint venture arrangements and facilitating the exercise of outstanding share purchase warrants and options. Management is currently having discussions with potential joint venture partners and strategic investors regarding funding of exploration and drilling on these targets. 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 statements of financial position. Details of funding commitments on the Company's exploration and evaluation assets are disclosed in Note 4 of the condensed consolidated interim financial statements for the period ended January 31, 2014.

## DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

An analysis of the material components of the Company's general and administrative expenses is disclosed in the unaudited condensed consolidated interim financial statements for the period ended January 31, 2014 to which this MD&A relates. An analysis of the material components of the exploration and evaluation assets of the Company is disclosed in Note 4 of the unaudited condensed consolidated interim financial statements for the period ended January 31, 2014 to which this MD&A relates.

## OUTSTANDING SHARES, STOCK OPTIONS AND WARRANTS

Subsequent to January 31, 2014 the Company closed a non-brokered private placement and issued 5,200,000 common shares for gross proceeds of \$260,000.

As at the date of this report, the Company has the following outstanding:

- 131,808,327 common shares
- Stock options:

<b>Number of Options</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
1,010,000	0.17	July 30, 2014
670,000	0.12	December 20, 2014
570,000	0.10	March 21, 2015
100,000	0.10	July 8, 2015
200,000	0.10	September 2, 2015
650,000	0.12	January 13, 2016
655,000	0.13	April 28, 2016
2,310,000	0.10	January 17, 2017
1,780,000	0.105	September 9, 2017
450,000	0.10	March 24, 2018
900,000	0.105	August 28, 2018
200,000	0.10	January 23, 2019
<b>9,495,000</b>		

- Warrants:

<b>Number of Warrants</b>	<b>Exercise Price (\$)</b>	<b>Expiry Date</b>
12,798,150	0.15	August 8, 2014
5,445,000	0.10	March 4, 2015
<b>18,243,150</b>		

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

The Company continues to evaluate property acquisitions and dispositions, actively target sources of additional financing through alliances with financial, exploration and mining entities and to explore and develop its exploration and evaluation assets. Should it enter into agreements over new properties, it may be required to make cash payments and complete work expenditure commitments.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect 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 period. Actual reports could differ from management's estimates.

## **CONTINGENCIES**

There are no contingent liabilities.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

### **Changes in Internal Control over Financial Reporting ("ICFR")**

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited condensed consolidated interim financial statements and the audited consolidated financial statements and respective accompanying Management's Discussion & Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

## **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.

## **OTHER MD&A REQUIREMENTS**

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DIRECTORS AND OFFICERS**

Michael S. Carr, *CEO, President & Director*

Terence S. Ortslan, *Secretary & Director*

George W. Sanders, *Director*

Barney Magnusson, *Chief Financial Officer*