
BITTERROOT RESOURCES LTD.
CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2010
(Unaudited - Prepared by Management)

BITTERROOT RESOURCES LTD.
(UNAUDITED - PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-109 Part 4 Subsection 4.3(3) (a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The unaudited interim financial statements of the Company as at April 30, 2010, and for six months ended April 30, 2010 and 2009, 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)

	April 30 2010	October 31 2009
	\$	\$ <i>(audited)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	1,282,218	758,215
Accounts receivable - other	76,865	525,772
Prepaid expenses	11,528	23,688
	<u>1,370,611</u>	<u>1,307,675</u>
Reclamation Deposit	15,800	15,800
Resource Properties (Note 3)	15,438,231	15,090,668
Equipment (Note 4)	13,990	9,446
	<u>16,838,632</u>	<u>16,423,589</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	57,634	182,435
Asset Retirement Obligation (Note 5)	23,742	22,611
Future Income Taxes (Note 11)	1,145,579	1,145,579
	<u>1,226,955</u>	<u>1,350,625</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	19,482,486	19,049,894
Contributed Surplus (Note 7)	2,991,719	2,891,573
Deficit	(6,862,528)	(6,868,503)
	<u>15,611,677</u>	<u>15,072,964</u>
	<u>16,838,632</u>	<u>16,423,589</u>

Continuing Operations (Note 2)
Commitments (Note 15)

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 April 30 2010	Three Month Period Ended April 30 2009	Six Month Period Ended April 30 2010	Six Month Period Ended April 30 2009
	\$	\$	\$	\$
Revenue	-	-	-	-
Expenses				
Amortization	889	901	1,477	1,802
Accretion	566	-	1,131	-
Foreign exchange (gain) loss	927	9,618	1,631	19,559
Interest and bank charges	239	269	866	1,082
Management fees	24,000	24,000	48,000	48,000
Office, printing and travel	43,831	26,146	71,388	53,861
Professional fees	26,358	32,831	54,244	59,475
Property investigation (recoveries)	3,211	313	7,761	(18,814)
Regulatory fees	4,935	8,307	7,430	7,782
Shareholder information	4,401	9,753	10,215	10,033
Stock-based compensation	28,079	84,186	66,330	88,753
Transfer agent fees	5,659	8,860	6,944	10,584
	143,095	205,184	277,417	282,117
Loss Before Other Items and Income Taxes	(143,095)	(205,184)	(277,417)	(282,117)
Other Items				
Interest income	4,050	17,227	5,295	17,270
Loss Before Income Taxes	(139,045)	(187,957)	(272,122)	(264,847)
Future income tax recovery	-	-	278,097	779,951
Net Earnings (Loss) For The Period	(139,045)	(187,957)	5,975	515,104
Deficit, beginning of period	(6,723,483)	(6,002,109)	(6,868,503)	(6,705,170)
Deficit, End Of Period	(6,862,528)	(6,190,066)	(6,862,528)	(6,190,066)
Basic And Diluted Earnings (Loss) Per Share	(0.00)	(0.00)	0.00	0.01
Weighted Average Number Of Shares Outstanding	75,768,493	65,441,067	74,253,895	64,147,512

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 April 30 2010 \$	Three Month Period Ended April 30 2009 \$	Six Month Period Ended April 30 2010 \$	Six Month Period Ended April 30 2009 \$
Operating Activities				
Net earnings (loss) for the period	(139,045)	(187,958)	5,975	515,104
Items not involving cash				
Amortization	889	901	1,477	1,802
Accretion	565	-	1,130	-
Stock-based compensation	28,079	84,186	66,330	88,753
Future income tax recovery	-	-	(278,097)	(779,951)
	(109,512)	(102,871)	(203,185)	(174,292)
Changes in non-cash working capital				
Accounts receivable - other	380,681	70,719	888,836	1,262,221
Prepaid expenses	8,597	4,833	12,160	10,547
Accounts payable and accrued liabilities	(8,496)	(24,455)	(125,595)	(345,269)
	380,782	51,097	775,401	927,499
	271,270	(51,774)	572,216	753,207
Financing Activity				
Share issuances	-	-	678,200	731,134
Investing Activities				
Purchase of capital assets	(6,022)	-	(6,022)	-
Resource property expenditures, net of recoveries	(48,859)	523,076	(720,391)	131,273
	(54,881)	523,076	(726,413)	131,273
Increase During the Period	216,389	471,302	524,003	1,615,614
Cash and cash equivalents, beginning of period	1,065,829	1,526,269	758,215	381,957
Cash and Cash Equivalents, End of Period	1,282,218	1,997,571	1,282,218	1,997,571
Cash and Cash Equivalents Consist of:				
Bank deposits	1,282,218	1,547,571	1,282,218	1,547,571
Guaranteed investment certificates	-	450,000	-	450,000
	1,282,218	1,997,571	1,282,218	1,997,571

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

BITTERROOT RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED APRIL 30, 2010
(Expressed in Canadian Dollars)

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, 2009, 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 April 30, 2010, 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 produced earnings of \$5,975 for the six month period ended April 30, 2010 (2009 - \$515,104) and had a deficit of \$6,862,528 at April 30, 2010 (October 31, 2009 - \$6,868,503) 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.

BITTERROOT RESOURCES LTD.
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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	Big Southeaster Property B.C., Canada	Michigan Lands Michigan, USA	Total
	\$	\$	\$	\$	\$	\$	\$
Balance - October 31, 2009	2,522,045	5,220,991	1,653,470	438,387	1,937,062	3,318,713	15,090,668
Deferred Costs During the Period							
Acquisition costs	-	-	-	50,000	-	-	50,000
Claims, leases and permits	1,350	2,471	1,350	100	100	10,565	15,936
Consulting and professional	463	102,364	54,651	4,867	-	6,364	168,709
Drilling	-	98,122	-	-	-	-	98,122
Field supplies	-	5,130	-	-	-	34	5,164
Fuel	-	9,823	-	-	-	-	9,823
Geochemistry	-	8,517	24,881	-	-	-	33,398
Geophysics	-	-	5,218	-	-	-	5,218
Ground transportation	-	5,904	-	-	-	101	6,005
Other	-	5,213	-	-	2,379	2,530	10,122
Recovery of costs	-	(62,386)	-	-	-	(14,107)	(76,493)
Room and board	-	4,386	-	-	-	170	4,556
Stock-based compensation	1,526	4,271	1,526	1,526	-	7,457	16,306
Travel and freight	-	363	-	-	-	334	697
	<u>3,339</u>	<u>184,178</u>	<u>87,626</u>	<u>56,493</u>	<u>2,479</u>	<u>13,448</u>	<u>347,563</u>
Balance - April 30, 2010	<u>2,525,387</u>	<u>5,405,169</u>	<u>1,741,093</u>	<u>494,880</u>	<u>1,939,541</u>	<u>3,332,161</u>	<u>15,438,231</u>

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

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.

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3. Resource Properties *(Cont'd)*

(ii) State Leases

At April 30, 2010, the Company held leases covering approximately 7,389 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:

	\$
2010	24,927
2011	19,167
2012	38,334
2013	38,334
2014	38,334

During the six month period ended April 30, 2010, the Company incurred acquisition and exploration expenditures of \$27,555 (2009 - \$621,888) relating to the Michigan properties and received and/or accrued recoveries of \$14,107 (2009 - \$617,101) from Cameco Corporation.

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

The Company owns a 100% interest in the GK Property located approximately 10 kilometres 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 six month period ended April 30, 2010, the Company incurred acquisition and exploration expenditures of \$3,339 (2009 - \$18,919) relating to the GK property and received recoveries of \$nil (2009 - \$214,498).

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

The Company owns a 100% interest in the Mineral Creek Property, located near Port Alberni, British Columbia. The vendors retain a combined 3.5% net smelter returns royalty. In addition, the Company owns a 100% interest in four adjoining mineral claims.

During the six month period ended April 30, 2010, the Company incurred acquisition and exploration expenditures of \$246,564 (2009 - \$201,129) relating to the Mineral Creek property and received recoveries of \$62,386 (2009 - \$22,572).

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3. Resource Properties *(Cont'd)*

(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 six month period ended April 30, 2010, the Company incurred acquisition and exploration expenditures of \$87,626 (2009 - \$81,585) relating to the North Brenda property.

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

The Company owns acquire a 100% interest in the SPN claims, which are located approximately 20 kilometres southeast of Barriere, British Columbia. In order to earn this interest, the Company paid \$10,000 and issued 584,783 common shares at a value of \$102,000. 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 six month period ended April 30, 2010, the Company incurred acquisition and exploration expenditures of \$56,493 (2009 - \$12,789) relating to the SPN property and received recoveries of \$nil (2009 - \$42,837).

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

The Company owns a 100% interest in the Big Southeaster property which adjoins the south side of the Mineral Creek property. The vendors will retain a 2% net smelter return royalty, of which the Company can purchase half by paying \$1,000,000.

During the six month period ended April 30, 2010, the Company incurred acquisition and exploration expenditures of \$2,479 (2009 - \$6,829) relating to the Big Southeaster property.

4. Equipment

	April 30 2010		October 31 2009	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Computer hardware	9,396	8,624	772	908
Field equipment	20,095	16,931	3,164	3,723
Furniture and fixtures	9,381	4,279	5,102	4,581
Leasehold improvements	10,646	5,694	4,952	234
	49,518	35,528	13,990	9,446

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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. 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% annually. The total undiscounted future obligation is \$53,315. The Company estimates its obligations to be settled over approximately the next 10 years.

	\$
Balance – October 31, 2009	22,611
Accretion expense	<u>1,131</u>
Balance – April 30, 2010	<u>23,742</u>

6. Share Capital

(a) Authorized

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

(b) Common Shares Issued

	Number Of Shares	Amount \$
Balance - October 31, 2009	69,432,044	19,049,894
Issued for cash		
Pursuant to private placements	5,901,666	708,200
Resource property option payments	434,783	50,000
Share issue costs	-	(47,511)
Future income taxes on expenditures renounced to shareholders	-	<u>(278,097)</u>
Balance – April 30, 2010	75,768,493	<u>19,482,486</u>

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6. Share Capital *(Cont'd)*

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

During the six month period ended April 30, 2010, the Company issued common shares pursuant to the following:

- (i) On December 10, 2009, the Company issued 5,901,666 flow-through common shares priced at \$0.12 per share and 250,000 non-transferable broker warrants to purchase common shares at \$0.12 expiring December 10, 2011, which were paid in conjunction with the private placement. The fair value of the broker warrants under the Black-Scholes model was \$17,511 and was recorded as a share issue cost.
- (ii) On January 13, 2010, the Company issued 434,783 common shares to complete the acquisition of a 100% interest in the SPN property. The fair value of the shares was \$50,000 and was capitalized to the SPN property as an acquisition expenditure.

The following weighted average assumptions were used for the Black-Scholes valuation of broker warrants in the six month period ended April 30, 2010:

Volatility	131%
Risk-free interest rate	1.68%
Dividend yield	-
Expected life	2 years

Flow through shares - Of the shares issued during the six month period ended April 30, 2010, 5,901,666 were issued on a flow through basis whereby the Company had previously spent \$708,200 on Canadian exploration expenditures and renounced these expenditures to shareholders.

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6. Share Capital (Cont'd)

(c) Warrants

Warrant transactions are summarized as follows:

	Number Of Warrants	Weighted Average Exercise Price
		\$
Balance - October 31, 2009	628,800	0.21
Issued	250,000	0.12
Expired	(304,800)	0.30
Exercised	-	-
Balance – April 30, 2010	574,000	0.12

The following share purchase warrants (convertible to an equivalent number of common shares) were outstanding at April 30, 2010:

Number Of Warrants	Exercise Price	Expiry Date
	\$	
54,000	0.17	July 26, 2010
210,000	0.12	December 2, 2010
60,000	0.12	December 16, 2010
250,000	0.12	December 10, 2011
574,000		

7. Contributed Surplus

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

	\$
Balance – October 31, 2009	2,891,574
Stock-based compensation	82,634
Broker warrants	17,511
Balance – April 30, 2010	2,991,719

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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 \$
Balance - October 31, 2009	6,244,500	0.41
Options granted	1,375,000	0.11
Options exercised	-	-
Options expired and forfeited	(710,000)	0.45
Balance – April 30, 2010	6,909,500	0.35

The following stock options were outstanding and exercisable at April 30, 2010:

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	3,365,000	3.44	0.14	3,290,000	0.13
0.25 – 0.49	1,099,500	1.84	0.34	1,049,500	0.35
0.50 – 0.74	1,900,000	1.28	0.60	1,900,000	0.60
0.75 – 0.99	545,000	2.93	0.80	545,000	0.80
	6,909,500	2.47	0.35	6,784,500	0.35

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8. Stock Option Plan and Stock-Based Compensation *(Cont'd)*

Total compensation expense recognized for stock options granted during the six month period ended April 30, 2010, was \$82,633 (2009 – \$4,567). Stock based compensation of \$16,304 (2009 – \$nil) was capitalized to resource properties for options granted to consultants and \$66,330 (2009 - \$88,753) was expensed to operations for options granted to directors and employees of the Company.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options in the three month period ended April 30, 2010:

Volatility	100%
Risk-free interest rate	2.73%
Dividend yield	-
Expected life	5 years

9. Supplemental Cash Flow Information

Six Month Period Ended April 30	2010	2009
	\$	\$
Cash paid during the period for income taxes	-	-
Cash paid during the period for interest	-	-

During the six month period ended April 30, 2010, the Company issued 434,783 (2009 – 507,142) shares in respect of option payments for resource properties, with a fair value of \$50,000 (2009 - \$73,000).

10. Related Party Transactions

The following is a summary of related party transactions and balances for the six month period ended April 30, 2010, not disclosed elsewhere in the financial statements:

- Management fees of \$48,000 (2009 - \$48,000) 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.
- Stock-based compensation includes stock options granted to directors recorded at a fair value of \$36,237 (2009 - \$nil).

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11. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at April 30, 2010 are presented below:

	\$
Net operating loss carry-forwards	549,329
Capital loss carry-forwards	30,678
Resource properties	(1,801,570)
Equipment	9,739
Share issuance costs	66,245
	<hr/>
Net future income tax liability	(1,145,579)

The Company has approximately \$2,197,000 of losses for tax purposes which may be used to reduce income taxes of future years and will expire as follows:

	\$
2010	114,000
2014	179,000
2015	242,000
2026	273,000
2027	414,000
2028	475,000
2029	500,000
	<hr/>
	2,197,000

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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:

	April 30 2010	October 31 2009
	\$	\$
Canada	12,120,060	11,781,401
U.S.A.	3,332,161	3,318,713
	15,452,221	15,100,144

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:

	April 30 2010	October 31 2009
	\$	\$
Held for trading (i)	1,282,218	758,215
Loans and receivables (ii)	76,865	525,772
Other financial liabilities (iii)	(57,634)	(182,435)
	1,301,449	1,101,552

- (i) Cash and cash equivalents
- (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) Capital Risk 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 the shareholder's equity 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 private placements, sell assets, incur debt, or return capital to shareholders. As of April 30, 2010 the Company does not have any long-term debt and is not subject to externally imposed capital requirements.

(b) 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 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 is invested in business accounts with quality financial institutions and which is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

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

(c) 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 liquid financial assets including cash and equivalents, reclamation deposits, and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents, and reclamation deposits with high-credit quality financial institutions.

The majority of the Company's cash and cash equivalents are held with major Canadian based financial institutions. The reclamation deposit is also held at a major Canadian based financial institution.

(d) 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.

(e) 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