
BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
July 31, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	July 31, 2020	October 31, 2019
ASSETS			
Current assets			
Cash		\$ 26,508	\$ 391
Receivables	4	1,010	3,986
Prepaid expenses		5,303	4,402
Total current assets		32,821	8,779
Non-current assets			
Reclamation deposits		11,500	11,500
Exploration and evaluation assets	6	4,330,689	4,171,592
Right-of-use asset	5	23,605	-
Total non-current assets		4,365,794	4,183,092
TOTAL ASSETS		\$ 4,398,615	\$ 4,191,871
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 234,152	\$ 39,271
Due to related party	11	14,978	220,500
Loan payable to related party	7,11	-	50,578
Lease liability		5,029	-
Total current liabilities		254,159	310,349
Non-current liabilities			
Due to related party	11	-	178,326
Lease liability		19,549	-
Total non-current liabilities		19,549	178,326
Total liabilities		273,708	488,675
SHAREHOLDERS' EQUITY			
Share capital	8	26,933,050	26,693,123
Shares subscribed	8	-	25,000
Equity reserves	8	4,176,265	4,175,961
Deficit		(26,984,408)	(27,190,888)
Total shareholders' equity		4,124,907	3,703,196
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 4,398,615	\$ 4,191,871

Nature of operations (Note 1)

Commitment (Note 14)

“Michael S. Carr”
Michael S. Carr, Director

“George W. Sanders”
George W. Sanders, Director

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Three months ended July 31,		Nine months ended July 31,	
		2020	2019	2020	2019
EXPENSES					
Amortization		\$ 5,058	\$ -	\$ 14,993	\$ -
Foreign exchange		(12,857)	858	(12,951)	1,670
Gain on extinguishment of debt		-	-	(370,641)	-
Interest expense	7,11	697	5,172	6,215	15,347
Management fees	11	7,500	30,000	22,500	90,000
Office and printing		4,956	14,076	21,077	50,351
Professional fees		978	13,818	33,614	38,676
Project investigation		-	-	244	967
Regulatory fees		(1,370)	950	8,332	7,929
Settlement of flow-through share liability			(13,696)	(31,875)	(13,696)
Shareholder information		2,336	760	7,956	15,202
Transfer agent fees		1,833	2,417	8,330	6,768
Write-down of exploration and evaluation assets, net of recoveries		-	124,173	85,726	124,173
Income (loss) and comprehensive income (loss) for the period		\$ (9,131)	\$ (178,528)	\$ 206,480	\$ (337,387)
Basic and diluted income (loss) per share		\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.01)
Weighted average number of common shares outstanding – basic and diluted		47,232,761	38,236,367	44,825,506	36,647,850

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the Nine Months ended July 31,
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	2020	2019
Cash flows from operating activities		
Income (loss) for the period	\$ 206,480	\$ (337,387)
Items not involving cash:		
Depreciation	14,993	-
Interest expense	7,486	15,347
Gain on settlement of debt	(370,641)	-
Settlement of flow-through share liability	(31,875)	(13,696)
Write-down of exploration and evaluation assets	85,726	124,173
Changes in non-cash working capital items:		
Prepaid expenses	(901)	10,721
Receivables	2,976	7,636
Accounts payable and accrued liabilities	8,081	(23,071)
Due to related party	20,228	95,124
Cash used in operating activities	(57,447)	(121,153)
Cash flows from investing activities		
Exploration and evaluation assets expenditures	(301,073)	(127,676)
Cost recoveries	260,050	91,620
Reclamation deposit	-	53,506
Cash (used) provided in investing activities	(41,023)	17,450
Cash flows from financing activities		
Private placements	145,625	167,400
Shares subscribed	-	-
Share issuance costs	(2,961)	(4,393)
Lease payments	(18,077)	-
Cash provided by financing activities	124,587	163,007
Change in cash	26,117	59,304
Cash, beginning	391	5,473
Cash, end	\$ 26,508	\$ 64,777

Supplemental disclosure with respect to cash flows (Note 10).

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

BITTERROOT RESOURCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Number of shares	Share capital	Shares Subscribed	Equity reserves	Deficit	Total
Balance – October 31, 2018	35,840,478	\$26,546,131	\$ -	\$ 4,175,802	\$ (26,692,926)	\$ 4,029,007
Private Placements	3,056,571	167,400	-	-	-	167,400
Share issuance costs	-	(4,552)	-	159	-	(4,393)
Flow-through premium liability	-	(14,571)	-	-	-	(14,571)
Loss for the period	-	-	-	-	(337,387)	(337,387)
Balance – July 31, 2019	38,897,049	\$26,694,408	\$ -	\$ 4,175,961	\$ (27,030,313)	\$ 3,840,056
Balance – October 31, 2019	38,897,049	\$26,693,123	\$ 25,000	\$ 4,175,961	\$ (27,190,888)	\$ 3,703,196
Private placements	4,978,571	170,625	(25,000)	-	-	145,625
Share issuance costs	-	(3,265)	-	304	-	(2,961)
Flow-through premium liability	-	(31,875)	-	-	-	(31,875)
Debt settlements	3,481,365	104,442	-	-	-	104,442
Income for the period	-	-	-	-	206,480	206,480
Balance – July 31, 2020	47,356,985	\$26,933,050	\$ -	\$ 4,176,265	\$ (26,984,408)	\$ 4,124,907

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

BITTERROOT RESOURCES LTD.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months ended July 31, 2020 and 2019
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1. NATURE OF OPERATIONS

Bitterroot Resources Ltd. (the “Company”) is in the exploration stage and its principal business activity is the sourcing and exploration of resource properties.

The Company was incorporated on March 13, 1951 under the Laws of British Columbia, Canada. The Company’s head office address is Suite 206-B – 1571 Bellevue Avenue, West Vancouver, BC, V7V 1A6, Canada and its registered office address is Suite 900 – 900 West Hastings Street, Vancouver, BC, V6C 1E5, Canada. The Company is listed on the TSX Venture Exchange (“Exchange”) under the symbol “BTT”.

These condensed consolidated interim financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends on its ability to raise adequate financing and to develop profitable operations. The Company incurred net income of \$206,480 during the period ended July 31, 2020 and as at July 31, 2020, had a working capital deficiency of \$221,338 (October 31, 2019 - \$301,570). As of July 31, 2020, the Company had accumulated deficit of \$26,984,408.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, and other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. In addition, management closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company if favorable or adverse market conditions occur.

As the Company is in the exploration and evaluation stage, the Company has not identified a known body of commercial grade mineral on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company identifying a commercial mineral body, to finance its development costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the property. To date, the Company has not earned any revenues. The Company expects to incur further losses in the development of its business. These circumstances comprise a material uncertainty which may cast significant doubt on the Company’s ability to continue as a going concern.

The condensed consolidated interim financial statements of the Company are presented in Canadian dollars, which is the functional currency, unless otherwise indicated.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

2. BASIS OF PREPARATION

Statement of compliance and basis of measurement

These unaudited condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed consolidated interim financial statements were approved for issuance by the Board of Directors on September 29, 2020.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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2. BASIS OF PREPARATION (cont'd)

Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

Exploration and evaluation assets

Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include, but are not limited to, the following:

Determination of functional currency

In accordance with IAS 21 *The Effects of Changes in Foreign Exchange Rates*, management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar.

Going concern

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements.

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2. BASIS OF PREPARATION (cont'd)

Going concern (cont'd)

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual consolidated financial statements as at October 31, 2019. These unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended October 31, 2019.

Accounting pronouncements adopted during the period

IFRS 16 is a new standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting. The Company applied IFRS 16 for the fiscal period beginning on November 1, 2019 using the modified retrospective approach with measurement of the right-of-use asset at an amount equal to the lease liability. On initial application, the Company applied the following practical expedients: 1) only apply IFRS 16 to contracts that were previously identified as leases; and 2) not recognize a lease for which the underlying asset is of low value or considered to be a short-term lease. The result of adopting the policy was an increase in assets and liabilities as fewer leases will be expensed as payments are made. This resulted in an increase in depreciation and interest expenses. Cash used in financing activities increased as the principal portion of lease payments was recorded as financing outflows in the Company's consolidated statement of cash flow.

4. RECEIVABLES

The Company's receivables arise from goods and services tax ("GST") receivable due from the Canadian taxation authorities.

	July 31, 2020	October 31, 2019
GST receivable	\$ 1,010	\$ 3,986
	\$ 1,010	\$ 3,986

5. Right-of-Use Asset

Balance – October 31, 2019	\$ -
Additions	38,598
Amortization	(14,993)
Balance – July 31, 2020	\$ 23,605

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6. EXPLORATION AND EVALUATION ASSETS

	Michigan Lands, Michigan, USA	Coyote Sinter Property, Nevada, USA	PCM Claims, Arizona, USA	Castle West, Nevada, USA	North Brenda Property, BC, Canada	Total
Balance – October 31, 2018	\$ 4,218,027	\$ -	\$ 81,860	\$ -	\$ 1	\$ 4,299,888
Acquisition costs - cash	7,574	-	-	1,339	-	8,913
Claims, leases and permits	(1,104)	-	73	7,438	4,507	10,914
Consulting and professional	879	-	11,818	14,667	26,887	54,251
Field supplies	116	-	2,164	144	1,678	4,102
Fuel	-	-	33	159	-	192
Geochemistry	-	-	1,640	1,719	1,588	4,947
Geophysics	-	-	3,998	-	45,811	49,809
Ground transportation	-	-	3,384	1,767	445	5,596
Other	-	-	18,271	15	-	18,286
Room and board	-	-	880	3,288	282	4,450
Storage	-	-	1,243	-	-	1,243
Travel and Freight	-	-	-	2,978	-	2,978
Expenditures during the year	7,465	-	43,504	33,514	81,198	165,681
Write-down of exploration and evaluation assets	-	-	(125,364)	-	(81,199)	(206,563)
Recovery of costs	(87,414)	-	-	-	-	(87,414)
Balance – October 31, 2019	4,138,078	-	-	33,514	-	4,171,592
Acquisition costs - cash	-	13,575	-	-	-	13,575
Claims, leases and permits	8,712	198	-	198	-	9,108
Consulting and professional	26,230	-	-	4,751	-	30,981
Drilling	212,103	-	-	-	91,111	303,214
Field supplies	313	-	-	323	-	636
Geochemistry	-	-	-	-	3,619	3,619
Geophysics	131,390	-	-	6,198	23	137,611
Ground transportation	1,348	500	-	-	66	1,914
Legal	-	-	-	342	-	342
Other	586	-	-	81	-	667
Room & Board	7,710	36	-	1,751	-	9,497
Travel and freight	109	-	-	2,693	103	2,905
Expenditures during the period	388,501	14,309	-	16,337	94,922	514,069
Write-down of exploration and evaluation assets	-	-	-	-	(94,922)	(94,922)
Recovery of costs	(260,050)	-	-	-	-	(260,050)
Balance – July 31, 2020	\$ 4,266,529	\$ 14,309	\$ -	\$ 49,851	\$ -	\$ 4,330,689

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6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Title to exploration and evaluation assets 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 exploration and evaluation assets. The Company has investigated title to its exploration and evaluation assets and to the best of its knowledge, title to its exploration and evaluation assets are in good standing.

Michigan Lands, Michigan, U.S.A.

During the year ended October 31, 2015, a subsidiary of Altius Minerals Corporation acquired a 50.1% interest in the Company's Michigan Lands by funding \$600,000 of exploration expenditures. Altius has the right to acquire an additional 19.9% of the Properties by completing \$2.5 million in exploration spending by September 29, 2021, plus the right to acquire an additional 10% of the Properties by completing exploration spending of a further \$5 million, or completing an NI 43-101 compliant pre-feasibility study on a mineral resource on the properties, before September 29, 2025. The Company also granted to Altius a 2% net smelter returns (NSR) royalty on the Voyageur Lands (covering approximately 250 square miles of mineral rights) and assigned to Altius its right to repurchase a 1% NSR held by a third party on the Copper Range Lands by paying \$1,000,000 U.S. to the third party before December 31, 2048. During the year ended October 31, 2019, the Company sold its 49.9% interest in 30 acres of Copper Range Lands for \$82,758 (\$62,375 USD); the amount is recognized in recovery of costs.

Mineral Rights Leased from the State of Michigan

During the year ended October 31, 2016, the Company (49.9%) and Altius (50.1%) acquired State of Michigan metallic minerals leases covering 3,051 acres. A cash bond of US\$30,000 has been posted by a subsidiary of Altius.

LM Property

The Company's Michigan subsidiary, Trans Superior Resources, Inc., leases 40 acres of minerals rights in Baraga County, Michigan, known as the LM Property. The lessors have granted the Company the option to reduce the current 3% net smelter returns royalty (NSR) to a 2% NSR by paying US\$1,000,000 prior to December 31, 2064. The 2020 advance royalty payment is US\$150/acre (paid). The advance royalty payments increase by \$10/acre/year. The LM Property is not subject to the joint venture with Altius.

During the period ended July 31, 2020, the Company, through its US subsidiary Trans Superior Resources, Inc., has entered into an option/joint venture agreement whereby Below Exploration, Inc., ("Below") a private Michigan corporation, can earn a 49% joint venture interest in the Company's 100%-leased LM nickel-copper-platinum-palladium property in Baraga County, Michigan. Below is required to fund US\$285,000 of exploration expenditures prior to the first anniversary of the agreement to earn a 49% joint venture interest. The Company will be the project operator, regardless of its ownership level, and retains a right of first refusal over Below's property interest. Following vesting of its 49% interest, Below will have a 90-day option to convert its interest in the project into the Company's shares. The value of the project will be determined at that time by an independent Qualified Person acceptable to both parties. If it were to occur, the conversion into the Company's shares will be subject to the approval of the TSX Venture Exchange and is subject to applicable securities laws. If Below does not exercise the share conversion option, the joint venture will continue. During the period ended July 31, 2020 Below funded \$260,050 (200,682 USD).

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6. EXPLORATION AND EVALUATION ASSETS (cont'd)

Coyote Sinter Property, Nevada, U.S.A.

During the period ended July 31, 2020, the Company entered into a mining lease, with an option to purchase, with Geological Services, Inc. ("GSI") on the 31- claim Coyote Sinter gold/silver project in Elko County, Nevada. The Company is required to make the following advance minimum royalty ("AMR") payments and share issuances to GSI:

- (i) \$10,000 USD (paid at the equivalent of \$13,575) and the issuance of 100,000 common shares within 10 days of the TSX-V Acceptance Date (issued subsequent to July 31, 2020);
- (ii) \$10,000 USD on the 6-month anniversary of the Acceptance Date;
- (iii) \$30,000 USD and the issuance of 100,000 common shares in the capital of the Company on or before the first annual anniversary of the Acceptance Date;
- (iv) \$40,000 USD and the issuance of 50,000 common shares in the capital of Bitterroot on or before the second annual anniversary of the Acceptance Date;
- (v) \$60,000 USD and the issuance of 50,000 common shares in the capital of Bitterroot on or before the third annual anniversary of the Acceptance Date;
- (vi) \$100,000 USD on or before the fourth annual anniversary of the Acceptance Date;
- (vii) \$125,000 USD on or before the fifth annual anniversary of the Acceptance Date;
- (viii) \$125,000 USD on or before each annual anniversary of the Acceptance Date after the fifth anniversary as long as the Agreement remains in effect, adjusted for inflation from that date.

At any time while the Agreement remains in effect, the Company has the exclusive right and option to purchase the Coyote Sinter property from GSI by paying \$2,000,000 USD, less the sum of all AMR payments already paid to GSI, up to the date of exercise. GSI will retain a 2% net smelter returns ("NSR") royalty, less previous AMR payments, on the Coyote Sinter property and on any Company-located federal mining claims within a 1 mile area of interest ("AOI"). The Company has the option to purchase 1% of the NSR for \$2,000,000 USD. GSI will also retain a 1% NSR royalty on any mineral rights acquired from 3rd parties within the AOI. The Company has the option to purchase 0.5% of this 1% NSR for \$500,000 USD. The royalty purchase options are exercisable at any time prior to commercial production.

Castle West Property, Nevada, U.S.A.

During the year ended October 31, 2019, the Company, through its US subsidiary Trans Superior Resources, Inc., entered into an option agreement with Ely Gold Royalties Inc. and its subsidiary Nevada Select Royalty Inc. ("Ely Gold"), to purchase a 100% interest in the Castle West gold/silver property in western Nevada's Gilbert mining district. The Castle West property is comprised of 34 unpatented mining claims and three leased unpatented claims, covering approximately 282 hectares. Under the terms of the agreement, the Company has paid Ely Gold US\$1,000. During the quarter, the terms of the option agreement were changed due to the Company's inability to access and explore the Castle West property due to the State of Nevada's COVID-19 related legislation. Under the amended option terms, the Company will pay Ely Gold US\$15,000 prior to December 11, 2020. On, or prior to each of the second, third and fourth anniversaries of Dec 11, the Company will pay US\$40,000. A final payment of US\$105,000 will be made on the fifth anniversary for the conveyance of the 100% interest in the Property. On or prior to August 31, 2020, the Company will reimburse Ely Gold for its US\$15,000 payment of the advance minimum royalties due under the agreement covering the three leased unpatented claims. Following exercise of the option agreement with Ely Gold, the Company will make minimum advance royalty payments of US\$5,000 on the first and second anniversaries of exercising the option and US\$10,000 on subsequent anniversaries. Ely Gold will retain a 3% NSR on the 34 claims it staked. The Company has the right to buy down 1% of this NSR for a payment of US\$1,000,000. Upon the exercise of the option, the Company will be assigned the three-claim lease and Ely Gold will retain a 1% NSR on these claims.

North Brenda Property, BC, Canada

The Company owns a 100% interest in certain claims located on the North Brenda Property. During the year ended October 31, 2019, the Company drilled three holes on the southwest portion of the North Brenda Property and has since capitalized \$81,198 of exploration and evaluation costs. As at October 31, 2019, a reclamation deposit totalling \$9,000 was held by the BC Ministry of Energy and Mines Petroleum Resources through a term deposit. During the period ended July 31, 2020, the Company wrote down exploration and evaluation costs of \$94,922 (October 31, 2019 - \$81,199) related to the property. No further work is planned.

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7. LOAN PAYABLE TO RELATED PARTY

During the year ended October 31, 2018, the Company received loan proceeds \$45,000 from a non-arm's length party. During the period ended July 31, 2020 recorded interest payable of \$6,480 (October 31, 2019 - \$5,578). During the period ended July 31, 2020 the loan and accrued interest in the amount of \$51,480 was settled in full through the issuance of 1,029,600 shares at the price of \$0.05 per share.

8. SHARE CAPITAL AND EQUITY RESERVES

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

As at July 31, 2020, the Company had 47,356,985 shares issued and outstanding.

During the period ended July 31, 2020:

- (i) closed a non-brokered private placement of 1,425,000 shares priced at \$0.025 per unit for gross proceeds of \$35,625 and 2,125,000 flow-through shares priced at \$0.04 for gross proceeds of \$85,000. Finder's fees paid in conjunction with the private placement consist of \$560 in cash and the issuance of 14,000 broker warrants at a fair value of \$304, exercisable at \$0.05 for two years from the date of issuance.
- (ii) issued 3,481,365 shares to settle outstanding debt of \$475,083 to arm's-length lenders and non-arm's length service providers and recorded a gain of \$370,641 on the settlement.
- (iii) closed a non-brokered private placement of 1,428,571 units priced at \$0.035 per unit for gross proceeds of \$50,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at and exercise price of \$0.06 until May 8, 2022. No finder's fees were paid with respect to the private placement.

During the year ended October 31, 2019, the Company:

- (i) closed a non-brokered private placement of 2,328,000 units priced at \$0.05 per unit for gross proceeds of \$116,400 and 728,571 flow-through common shares priced at \$0.07 for gross proceeds of \$51,000. Each unit consists of one common share and one half of a common share purchase warrant, exercisable at \$0.11 for two years from the date of issuance. Finder's fees paid in conjunction with the private placement consist of \$330 in cash and the issuance of 6,600 broker warrants at a fair value of \$159, exercisable at \$0.11 for two years from the date of issuance.
- (ii) received \$25,000 of share subscriptions towards a future financing.

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – October 31, 2018	6,825,405	\$ 0.30
Issued	1,170,600	0.11
Expired	(6,825,405)	0.30
Balance – October 31, 2019	1,170,600	0.11
Issued	1,442,571	0.06
Balance – July 31, 2020	2,613,171	\$ 0.08

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8. SHARE CAPITAL AND EQUITY RESERVES (cont'd)

As at July 31, 2020, the following share purchase warrants were issued and outstanding:

Expiry Date	Number of Warrants	Exercise Price(\$)
May 14, 2021	970,600	0.11
June 19, 2021	200,000	0.11
November 14, 2021	14,000	0.05
May 8, 2022	1,428,571	0.06
	2,613,171	0.08

The weighted average fair value of each finders' warrant issued during the period ended July 31, 2020 was \$0.05. calculated using the Black-Scholes option-pricing model on the issue date using the following weighted average assumptions:

	Period ended July 31, 2020	Period ended July 31, 2019
Volatility	173.62%	160.06%
Risk-free interest rate	1.53%	1.60%
Expected life	2 years	2 years

Stock options

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 stock option plan, vesting restrictions may 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, 2018	3,380,000	\$ 0.19
Expired	(180,000)	1.00
Balance – October 31, 2019	3,200,000	0.15
Expired	(150,000)	0.25
Granted	1,350,000	0.05
Balance – July 31, 2020	4,400,000	\$ 0.12

As at July 31, 2020, the following stock options were outstanding and exercisable:

Number of Options	Exercise Price (\$)	Expiry Date
1,200,000	0.10	January 21, 2021
150,000	0.10	January 16, 2022
700,000	0.32	April 20, 2022
1,000,000	0.08	March 1, 2023
1,150,000	0.05	May 19, 2025
200,000	0.05	June 4, 2025
4,400,000		

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9. FLOW-THROUGH SHARE PREMIUM LIABILITY

	Total
Balance at October 31, 2018	\$ -
Liability incurred on flow-through shares issued	14,571
Settlement of flow-through share premium liability on expenditures incurred	<u>(14,571)</u>
Balance at October 31, 2019	-
Liability incurred on flow-through shares issued	31,875
Settlement of flow-through share premium liability on expenditures incurred	<u>(31,875)</u>
Balance at July 31, 2020	\$ -

During the year ended October 31, 2019, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be \$14,571. As at October 31, 2019, the Company had \$Nil of flow-through obligations remaining.

During the period ended July 31, 2020, the Company issued flow-through shares and estimated the value of the flow-through premium associated with those shares to be \$31,875. As at July 31, 2020, the Company had \$Nil of flow-through obligations remaining.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions during the period ended July 31, 2020 included:

- (a) Issued 14,000 brokers' warrants with a fair value of \$304.
- (b) Recognized a flow-through share premium liability of \$31,875 on the issuance of flow-through shares.
- (c) Included in exploration and evaluation assets is \$203,800 which relates to accounts payable and accrued liabilities.
- (d) Settled debt of \$475,083 through issuing 3,481,365 common shares.
- (e) Recognized \$38,598 of right-of use asset as lease liabilities.

Significant non-cash transactions during the period ended July 31, 2019 included:

- (a) Included in exploration and evaluation assets is \$12,951 which relates to accounts payable and accrued liabilities.
- (b) Issued 6,600 brokers' warrants with a fair value of \$159
- (c) Recognized a flow-through share premium liability of \$14,571 on the issuance of flow-through shares,

11. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel.

The following is a summary of related party transactions and balances during the period ended July 31, 2020, not disclosed elsewhere in the condensed consolidated interim financial statements:

- (a) Management fees of \$22,500 (2019 - \$90,000) were incurred from a company controlled by a director of the Company.
- (b) Share-based payments include stock options granted to directors and officers recorded at a fair value of \$24,384 (2019 - \$Nil).

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11. RELATED PARTY TRANSACTIONS (cont'd)

During the year ended October 31, 2018, the Company received loan proceeds of \$45,000 from a non-arm's length party. During the period ended July 31, 2020 recorded total interest payable of \$6,480 (October 31, 2019 - \$5,578). During the period ended July 31, 2020 the loan and accrued interest was settled in full through the issuance of 1,029,600 shares at the price of \$0.05 per share.

As at July 31, 2020, the Company owed \$14,978 (October 31, 2019 - \$220,500) in current liabilities and \$nil (October 31, 2019 - \$178,326) in non-current liabilities to a company controlled by a director for management fees and reimbursable expenses. During the period ended July 31, 2020, the Company settled debt of \$398,826 to this company through the issuance of 2,111,760 common shares.

12. SEGMENTED INFORMATION

Industry information

The Company operates in one reportable operating segment, being the acquisition, any exploration and development of exploration and evaluation assets.

Geographic information

The Company operates in both Canada and the United States. The Company's reclamation deposits and exploration and evaluation assets are located in the Canada and the United States.

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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 July 31, 2020, the Company 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 consists 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, receivables and reclamation deposits.

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13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (cont'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 a 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. The Company does not have any variable interest-bearing debt.

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 accounts payable and accrued liabilities due to related party (current) and loan payable to related party is equal to their carrying values due to the short-term nature of these instruments.

14. COMMITMENT

The Company has a commitment in respect of annual office rent of \$22,407, requiring monthly payments of \$1,867.