



Kettle River Resources Ltd.

(An Exploration Stage Company)

INTERIM FINANCIAL STATEMENTS

3rd quarter
January 31, 2008

(Unaudited – Prepared by Management)

Note to Reader

These interim financial statements for the nine months ended January 31, 2008 have been prepared by management and have not been subject to review by the Company's auditors.

KETTLE RIVER RESOURCES LTD.*(An Exploration Stage Company)***Interim Balance Sheet***Canadian Funds**Unaudited – Prepared by Management*

Statement 1

	January 31, 2008	April 30, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 140,666	\$ 57,402
Guaranteed investment certificate	400,000	Nil
Accrued interest and other amounts receivable	274,714	8,562
Marketable securities (Note 3)	74,098	74,098
Prepaid expenses	1,488	3,416
	<u>890,966</u>	<u>143,478</u>
Reclamation Bond	5,000	5,000
Property, Plant and Equipment (Note 4)	64,543	66,945
Mineral Properties (Note 5)	3	3
	<u>\$ 960,512</u>	<u>\$ 215,426</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 52,390	\$ 101,464
Shareholders' and director's loans (Note 8)	92	360,582
Loan payable (Note 9)	Nil	304,853
	<u>52,482</u>	<u>766,899</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 6)	13,191,992	10,880,739
Contributed Surplus (Note 6f)	800,953	265,351
Deficit accumulated in the exploration stage – Statement 2	(13,084,915)	(11,697,563)
	<u>908,030</u>	<u>(551,473)</u>
	<u>\$ 960,512</u>	<u>\$ 215,426</u>

ON BEHALF OF THE BOARD:

"Ellen Clements"

Ellen Clements, Director

"Larry Widmer"

Larry Widmer, Director

See accompanying notes to financial statements

KETTLE RIVER RESOURCES LTD.

Statement 2

*(An Exploration Stage Company)***Interim Statement of Loss and Deficit***Canadian Funds**Unaudited – Prepared by Management*

	For three months ended		For nine months ended	
	January 31,		January 31,	
	2008	2007	2008	2007
MINERAL EXPLORATION ACTIVITIES				
Exploration costs	\$ 393,965	17,154	\$ 1,183,525	\$ 423,768
Less: Government Assistance	Nil	7,098	Nil	(48,191)
	<u>393,965</u>	<u>24,252</u>	<u>1,183,525</u>	<u>375,577</u>
ADMINISTRATIVE COSTS				
Accounting, audit & legal	10,366	26,593	36,559	55,366
Advertising, promotion & printing	5,635	1,863	21,476	22,876
Amortization	112	141	338	423
Financial consulting	2,500	9,000	7,500	9,000
Licenses, insurance, and transfer agent fees	5,070	6,373	36,373	21,122
Management, salary & wages (net of recoveries)	16,682	13,332	43,320	27,759
Office & sundry	2,128	13,211	10,481	14,818
Office building expenses	1,465	1,460	4,279	5,085
Stock compensation expense	17,136	31,036	51,407	93,107
Telephone	1,060	656	1,971	1,406
Travel and accommodation	10,714	3,632	21,087	10,155
	<u>72,868</u>	<u>107,297</u>	<u>234,791</u>	<u>261,117</u>
OTHER EXPENSES (INCOME)				
Gain on sale of securities	Nil	(912)	Nil	(22,059)
Gain on disposal of capital assets	Nil	Nil	Nil	(1,502)
Interest and US Exchange adjustment	(4,341)	(3,427)	(7,652)	(4,402)
Proceeds from Naket settlement (Note 5e)	Nil	Nil	(23,312)	Nil
	<u>(4,341)</u>	<u>(4,339)</u>	<u>(30,964)</u>	<u>(27,963)</u>
GAIN (LOSS) FOR THE PERIOD	(462,492)	(127,210)	(1,387,352)	(608,731)
DEFICIT, BEGINNING OF PERIOD	\$ 12,622,423	\$ 10,081,203	\$ 11,697,563	\$ 9,599,682
Resale of Treasury Shares		616,879		616,879
DEFICIT, END OF PERIOD	\$ 13,084,915	10,825,292	\$ 13,084,915	\$ 10,825,292
Gain (Loss) per share, basic and diluted	(\$ 0.02)	(\$ 0.01)	(\$ 0.06)	(\$ 0.06)
Weighted average number of Shares outstanding	27,326,575	11,055,524	22,379,050	11,046,249

See accompanying notes to financial statements.

KETTLE RIVER RESOURCES LTD.

Statement 3

*(An Exploration Stage Company)***Interim Statement of Cash Flows***Canadian Funds**Unaudited – Prepared by Management*

	For three months ended January 31,		For nine months ended January 31,	
	2008	2007	2008	2007
Cash Flows from Operating Activities				
Gain (Loss) for the period	(\$462,492)	(\$127,210)	(\$1,387,352)	(\$608,731)
Add: Items not involving cash				-
Amortization	801	912	2,401	2,738
Gain on sale of Securities	-	(912)	-	(22,059)
Gain on disposal of capital assets	-	-	-	(1,502)
Stock compensation	17,136	31,036	51,407	93,107
	(444,555)	(96,174)	(1,333,544)	(536,447)
Changes in non-cash working capital items:				
Decrease (increase) in prepaid amounts	1,759	1,911	1,928	2,323
Decrease (increase) in accounts receivable	(133,770)	45,481	(266,153)	(11,996)
Advance for future Private Placement	-	-	-	-
Increase (decrease) in amounts due to director(s)	(4,146)	4,431	(360,490)	4,847
Increase (decrease) in Loan payable	-	-	(304,853)	-
Increase (decrease) in accounts payable	9,921	(5,292)	(49,074)	321,220
	(570,791)	(49,643)	(2,312,186)	(220,053)
Cash Flows from Financing Activities				
Shares issued for cash	413,750	-	2,795,450	-
Treasury shares resold for debt	-	81,975	-	81,975
	413,750	81,975	2,795,450	81,975
Cash Flows from Investing Activities				
Acquisition of capital assets	-	-	-	-
Proceeds from sale of securities	-	1,120	-	24,554
Proceeds from sale of capital assets	-	-	-	1,505
	-	1,120	-	26,059
Increase (decrease) in Cash	(157,041)	33,452	483,264	(112,019)
Cash, and term deposits, beginning of period	697,707	62,654	57,402	208,125
Cash and term deposits, end of period	\$ 540,666	96,106	\$ 540,666	\$ 96,106

Supplementary Schedule

Amortization of capital assets to mineral properties	\$ 688	772	\$ 2,064	\$ 2,316
Non-monetary transactions				
Stock compensation	\$ 17,136	31,036	\$ 51,407	\$ 93,107

See accompanying notes to financial statements.

KETTLE RIVER RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO INTERIM FINANCIAL STATEMENTS

for the nine months ended January 31, 2008 and 2007

Canadian Funds Unaudited – Prepared by Management

1. GOING CONCERN

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities and commitments in the normal course of business. The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the financial statements.

The Company has working capital of \$838,484 as at January 31, 2008 and has accumulated losses of \$13,084,915. Since inception, the Company has been successful in funding its operations and to date has net issued shares of 27,716,711 for net proceeds of \$13,191,992 averaging \$0.479 per share. The share price at January 31, 2008 was \$0.235 - \$0.245 Cdn.

Management plans to continue to pursue equity financing to support operations. Management believes this plan will be sufficient to meet the Company's liabilities and commitments as they become payable over the next twelve months. There can be no assurance that management's plan will be successful. Failure to maintain the support of creditors and obtain additional external equity financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting and reporting policies conform to generally accepted accounting principles in Canada. These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These interim financial statements should be read in conjunction with the audited financial statements as at April 30, 2007.

3. MARKETABLE SECURITIES

	January 31, 2008	April 30, 2007
Securities of New Nadina Explorations Limited		
Opening balance – reclassified from investment	\$ 74,098	\$ 76,592
Disposals during the period	Nil	2,494
Closing balance – lowest recorded market price	\$ 74,098	\$ 74,098

The shares in New Nadina Explorations Limited ("New Nadina") previously accounted for using the equity method is now accounted for under the cost method. New Nadina has two directors in common with the Company. The Company on January 31, 2008, owned 1,782,582 New Nadina common shares. The quoted market value of the common shares was \$0.235 on January 31, 2008.

4. PROPERTY, PLANT AND EQUIPMENT

	January 31, 2008		April 30, 2007	
	Amortization Rate	Cost	Accumulated Amortization	Net Book Value
Land		\$10,000	\$ -	\$10,000
Paving	8%	4,861	2,835	2,026
Buildings	4%-5%	86,401	37,224	49,177
Mining equipment	30%	117,557	116,135	1,422
Office equipment	20%	53,972	52,055	1,917
Trailer	30%	8,890	8,888	2
		\$281,681	\$ 217,137	\$ 64,544

5. MINERAL PROPERTIES

Acquisition costs and exploration expenditures relating to mineral properties are written off as incurred. Payments received for exploration rights on the Company's mineral properties are treated as cost recoveries and are credited to reduce the cost of exploration expenditures related to the mineral claims with any excess, on an aggregate basis, recorded as income. Option payments are recorded as incurred. Ongoing reclamation and site restoration costs including site maintenance and caretaking are expensed when incurred.

KETTLE RIVER RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
for the nine months ended January 31, 2008 and 2007
Canadian Funds
Unaudited – Prepared by Management

5. MINERAL PROPERTIES - continued

Exploration Expenditures by Property For the period ended January 31, 2008	Greenwood Area	DHK NWT	Silica Quarry 50%	Total
Amortization	\$ 2,064	\$ -	\$ -	\$ 2,064
Assaying	48,273	-	-	48,273
Assessment, filing fees, membership	11,718	250	-	11,968
Direct charges – wages	27,000	7,600	75	34,675
Exploration costs 1)	369,424	716,887	-	1,086,311
Field Supplies	615	-	-	615
Property costs & acquisition	494	-	-	494
Storage (samples & equipment)	8,265	-	-	8,265
Property and Mineral taxes	1,578	-	-	1,578
Travel & accommodation	1,182	3,100	-	4,282
<i>Subtotal:</i>	\$ 470,613	\$ 727,837	\$ 75	\$1,198,525
Less: Recovered Property Costs	(15,000)	-	-	(15,000)
TOTAL:	\$455,613	\$ 727,837	\$ 75	\$1,183,525

Exploration Expenditures by Property For the period ended January 31, 2007	Greenwood Area	DHK NWT	Silica Quarry 50%	Total
Amortization	\$ 2,316	\$ -	\$ -	\$ 2,316
Assaying	3,311	-	-	3,311
Assessment, filing fees, membership	2,968	-	-	2,968
Direct charges – wages	5,400	9,450	100	14,950
Exploration costs 1)	9,424	375,730	-	385,154
Field Supplies	106	-	-	106
Legal & miscellaneous	535	-	-	8,059
Property costs & acquisition	116	7,524	-	116
Storage (samples & equipment)	3,842	-	-	3,842
Property and Mineral taxes	1,613	-	-	1,613
Travel & accommodation	873	460	-	1,333
<i>Subtotal:</i>	\$ 30,504	\$ 393,164	\$ 100	\$423,768
Less: Government Assistance	(48,191)	-	-	(48,191)
Total:	\$ (17,687)	\$ 393,164	\$100	\$ 375,557

- 1) Exploration costs include equipment costs; freight/delivery expense; geology/geophysics/geochemical expenses; physical work, sampling and allocation of office and overhead expenses relating to exploration activities.

The DHK exploration costs represent what the Company has paid for its share of all related exploration program costs on the WO and Pellatt Lake claim blocks in the Northwest Territories.

a) GREENWOOD AREA - Southern BC:

The Company owns a 100% interest in certain properties comprising 476 units (approximately 10,000 hectares) of mineral tenure where approximately 500 acres is surface owned in the Greenwood Mining Division of British Columbia. The Company is actively exploring for gold, silver, other base metals and industrial mineral potential. Properties within the Greenwood Area include Phoenix (Battle Zone), Bluebell (Minnie Moore), Phoenix Tailings, Haas Creek, Rad group, Arcadia (Skylark), Tam O' Shanter and Niagara.

b) DHK DIAMONDS INC. – Northwest Territories:

DHK Diamonds Inc. ("DHK") is a private company incorporated and registered in the Northwest Territories, currently owned by Kettle River Resources Ltd. (43.37%), Dentonia Resources Ltd. ("Dentonia") (43.37%), and Horseshoe Gold Mining Inc. ("Horseshoe") (13.26%). Operations and funding provisions of DHK are governed by a 1992 Shareholders' Agreement where each shareholder appoints two directors to the board and certain activities require 75% board approval.

KETTLE RIVER RESOURCES LTD.
NOTES TO INTERIM FINANCIAL STATEMENTS (continued)
for the nine months ended January 31, 2008 and 2007

Canadian Funds

Unaudited – Prepared by Management

5. MINERAL PROPERTIES, continued

c) DHK DIAMONDS INC. – Northwest Territories: - continued

WO Joint Venture -

DHK has a 10.774% contributing interest in the WO Joint Venture operated by Peregrine Diamonds Ltd. (“Peregrine”). The WO JV is undergoing a bulk sample with results to determine grade and diamond value expected before the end of 2007. The results are necessary in determining production feasibility.

Pellatt Lake Property

The Pellatt Lake claim block is located north of Yellowknife and in proximity of the Ekati Diamond Mine. DHK owns 100% interest in the Pellatt Lake Claim Block and is subject to an agreement with Peregrine Diamonds Ltd. Peregrine Diamonds Ltd. (Peregrine) can earn a 51% interest by drilling selected targets identified through the Falcon gravity gradiometer surveys. Once Peregrine vests with 51% of certain areas (those drilled), it has a second option to earn another 14% by completing a 100 tonne bulk sample within 4 years. A further 10% of a vested area can be earned by arranging production cost financing for DHK. Under the agreement, Peregrine pays all expenses with the exception of the annual fees on three mineral leases.

Monument Property (formerly DHK Claim Block) south shore of Lac de Gras

Through an agreement dated October 24, 2003 DHK Diamonds Inc. holds a 1% gross overriding royalty on three leases (7,500 acres) explored for diamond potential, owned (57.49%) and operated by New Nadina Explorations Limited. During the 2007 program, an additional kimberlite (Genie) was added to the three new kimberlites discovered in 2006. Micro diamond results from tested kimberlites have returned positive results to date.

d) SILICA QUARRY - Saskatchewan:

The Company holds a 50% participating interest in a Silica Quarry Lease in Saskatchewan. The lease expires in December 2009. No income has been realized from this lease. This project is the subject of a joint venture and there are provisions for pro-rata dilution for non-contribution of costs.

e) NAKET - Nunavut: 50%:

This property was written off as of April 30, 2007.

The Company, jointly with New Nadina Explorations Limited (“New Nadina”) has allowed the property to lapse including the agreement dated August 1, 2000 with Kennecott Canada Ltd. (“Kennecott”) under which, in consideration of providing the joint venture with certain exploration data, Kennecott for a period of five years following the transfer of data is entitled to a royalty of 1% of net smelter returns on production of diamonds or metal products from properties within the area of interest.

Each of the venturers bore 50% of all acquisition, exploration and other costs. In accordance with an arrangement made between them, Kettle River spent \$80,000 more than New Nadina for exploration on the Naket project during 2001. In order to maintain its 50% interest in the project, New Nadina, at its option could spend, during future phases of project, an equal amount being \$46,624.

In April 2007, the project consultant reported that all samples from the 2006 program of till sampling test for indicator minerals were barren and no further work is planned. A settlement in regard to the unspent balance of \$46,624 was negotiated. A settlement of 50 cents on the dollar was accepted and \$23,312 has been paid to Kettle River to clear this obligation.

KETTLE RIVER RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
for the nine months ended January 31, 2008 and 2007
Canadian Funds
Unaudited – Prepared by Management

6. SHARE CAPITAL

a) **Authorized:** 50,000,000 common shares without par value

b) Issued and fully paid:	No. of Shares		Proceeds	Value
Balance after repurchased shares at April 30, 2006	11,041,611			\$ 9,886,361
Issued during period:				
Repurchased Shares issued - Debt Settlement (Dec 5/06)	256,000	(i)		698,854
Private Placement - February 21, 2007	2,750,000	(ii)	\$412,500	299,124
Private Placement Finder Fee shares	176,000	(ii)		(3,600)
Balance at April 30, 2007	14,223,611			\$ 10,880,739
Issued during period:				
Private Placement closed August 2, 2007 (May 24, 2007 and July 20, 2007)	5,233,100	(iii)	\$1,011,700	723,619
Private Placement & Finders Fees - June 13, 2007	2,000,000	(iv)	\$379,000	379,000
Private Placement & Finders Fees – Sept 24, 2007	2,107,500	(v)	\$411,000	313,564
Private Placement & Finders Fees – Oct 31, 2007	1,860,000	(vi)	\$425,000	326,320
Warrants exercised October 29, 2007	620,000	(vii)	\$155,000	155,000
Warrants exercised November 13, 2007	662,500	(viii)	\$161,250	\$161,250
Warrants exercised November 26, 2007	990,000	(ix)	247,500	247,500
Warrants exercised January 16, 2008	20,000	(x)	5,000	5,000
Balance at January 31, 2008	27,716,711		\$2,795,450	\$ 13,191,992

- (i) On December 5, 2006 the TSX Venture Exchange accepted the Company's proposal to settle outstanding debt in the amount of \$81,975 for 256,000 shares which had been previously acquired by the Company. This results in \$616,879 adjustment to the deficit.
- (ii) The Company closed the \$412,500 non-brokered private placement announced January 25, 2007 having received TSX Venture Exchange acceptance on February 21, 2007 with the issuance of 2,750,000 shares at \$0.15 per share and warrants exercisable at \$0.25 expiring Feb. 21, 2008. Finders' fees of \$3,600 and 176,000 in common shares were paid. [Proceeds of \$412,500 were allocated \$299,124 to shares and \$113,376 to warrants (Note 6 (f))]. The hold period expired June 25, 2007.
- (iii) On August 2, 2007 the company completed the Non-Brokered Private Placement referenced in News Releases March 26, 2007, April 24, 2007, and TSX Venture final approval on July 26, 2007. Issued were 5,233,100 units that included 5,058,500 subscriber units and 174,600 Finders' Fees units for total proceeds of \$1,011,700. Each unit contains one common share at \$0.20 and one non-transferable warrant exercisable for one year from date of closing, to purchase a common share of the Company at a price of \$0.30. Insiders of the Company subscribed to 781,000 units. The four-month hold on 2,800,100 units expired Sept. 25, 2007 with warrants expiring May 24, 2008. The 2,433,000 units four month hold period expired November 21, 2007 with warrants expiring July 21, 2008. [Proceeds of \$1,011,700 were allocated \$723,619 to shares and \$288,081 to warrants (Note 6 (f))]. The hold period expired September 25, 2007 and November 21, 2007.
- (iv) On June 13, 2007, the company closed the Private Placement referenced in News Releases May 14, 2007 and May 23, 2007 having received TSX Venture approval under Submission#126039 on June 13, 2007. Related to this non-brokered financing, the Company issued 2,000,000 "Flow Through" shares. In addition to \$21,000 paid to finders, 175,000 broker warrants were issued exercisable to purchase one common share of the Company at a price of \$0.20 expiring June 14, 2008 with net proceeds of \$379,000. The four-month hold period expired October 15, 2007.
- (v) On September 4, 2007 the company announced the Non-Brokered Private Placement referenced in News Releases and TSX Venture final approval on September 24, 2007. Issued were 2,107,500 units that included 2,055,000 subscriber units and 52,500 Finders' Fees units for total proceeds of \$411,000. Each unit contains one common share at \$0.20 and one non-transferable half warrant. Two half warrants are exercisable for two years from date of closing, to purchase a common share of the Company at a price of \$0.35. September 24, 2007, issued 1,516,000 units with four-month hold expired January. 25, 2008, with warrants expiring September 24, 2009. October 3, 2007, issued 591,500 units with four-month expiring February 4, 2008, with warrants expiring October 5, 2009. [Proceeds of \$411,000 were allocated \$313,564 to shares and \$97,436 to warrants (Note 6 (f))]. The four-month hold period on 1,516,000 expired January. 25, 2008 and on 591,500 expiring February 4, 2008.

KETTLE RIVER RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

for the nine months ended January 31, 2008 and 2007

Canadian Funds

Unaudited – Prepared by Management

6. SHARE CAPITAL – continued

b) Issued and fully paid: - continued

- (vi) The Company closed the \$400,000 non-brokered private placement announced October 5, 2007 having received TSX Venture Exchange acceptance on October 31, 2007 with the issuance of 1,700,000 shares at \$0.25 per share and warrants exercisable at \$0.40 expiring October 5, 2009. In the event that the Company's common shares trade at a closing price on the TSX Venture Exchange of greater than 60 cents per share for a period of 20 consecutive trading days, at any time after four months and one day subsequent to the closing date, an accelerated 30 day expiry date will be in effect. Finders' fees of 160,000 in units were paid. [Proceeds of \$425,000 were allocated \$326,320 to shares and \$98,680 to warrants (Note 6 (f))]. The four month hold period expiring March 14, 2008.
- (vii) Warrants were exercised October 29, 2007:
- At \$0.25 to issue 415,000 common shares of the Company reserved in the private placement accepted for filing by the TSX Venture Exchange on February 21, 2007
 - At \$0.25 to issue 205,000 common shares of the Company reserved in the private placement which was accepted for filing by the TSX Venture Exchange on December 1, 2005 and accepted amendment to re-pricing for filing by the TSX Venture Exchange on May 7, 2007
- (viii) Warrants were exercised November 13, 2007:
- At \$0.25 to issue 575,000 common shares of the Company reserved in the private placement accepted for filing by the TSX Venture Exchange on December 1, 2005 and accepted amendment as to re-pricing on May 7, 2007.
 - At \$0.20 to issue 87,500 common shares of the Company reserved in the private placement accepted for filing by the TSX Venture Exchange on June 13, 2007.
- (ix) Warrants were exercised November 26, 2007:
- At \$0.25 to issue 340,000 common shares of the Company reserved in the private placement accepted for filing by the TSX Venture Exchange on February 21, 2007.
 - At \$0.25 to issue 610,000 common shares of the Company reserved in the private placement accepted for filing by the TSX Venture Exchange on May 7, 2007.
 - At \$0.25 to issue 40,000 common shares of the Company reserved in the private placement accepted for filing by the TSX Venture Exchange on December 1, 2005 and accepted amendment as to reprising on May 7, 2007.
- (x) Warrants were exercised January 16, 2008:
- At \$0.25 to issue 20,000 common shares of the Company reserved in the private placement accepted for filing by the TSX Venture Exchange on February 21, 2007.

c) Warrants:

	Number	Price/share	Value	Expiry
Issued December 5, 2005 *	1,530,000	\$0.25	\$382,500	December 4, 2007
Issued February 22, 2007	2,750,000	\$0.25	\$687,500	February 22, 2008
Issued May 24, 2007	2,800,100	\$0.30	\$840,030	May 24, 2008
Issued June 14, 2007 **	175,000	\$0.20	\$35,000	June 14, 2008
Issued July 20, 2007	2,433,000	\$0.30	\$729,900	July 20, 2008
Issued September 24, 2007	758,000	\$0.35	\$265,300	Sept 24, 2009
Issued October 3, 2007	295,750	\$0.35	\$103,512	October 5, 2009
Issued November 13, 2007 ***	930,000	\$0.40	\$372,000	November 16, 2009
Exercised Oct 29/07 to Jan 16/08	(2,205,000)	\$0.25	(551,250)	
Exercised Nov 13/07	(87,500)	\$0.20	(17,500)	
Expired December 4, 2007	(100,000)		(25,000)	
Balance January 31, 2008	9,279,350		\$2,821,992	

* On November 7, 2006 TSX Venture Exchange approved extending the expiry date of 1,530,000 warrants to December 4, 2007 and on July 3, 2007 approved re-pricing them from 75 cents to 25 cents. The re-pricing is subject to the forced exercise provision: "If the closing price for the company's shares is 31 cents or greater for a period of 10 consecutive trading days, then the warrant holders will have 30 days to exercise their warrants; otherwise the warrants will expire on the 31st day." These warrants pertain to Dec. 1, 2005 non-brokered private placement of 1.53 million shares.

KETTLE RIVER RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS (continued)

for the nine months ended January 31, 2008 and 2007

Canadian Funds

Unaudited – Prepared by Management

6. SHARE CAPITAL – continued

c) Warrants: - continued

** 175,000 broker warrants, exercisable to purchase one common share of the Company at a price of \$0.20 were issued on June 14, 2007 and will expire June 14, 2008.

*** In the event that the Company's common shares trade at a closing price on the TSX Venture Exchange of greater than 60 cents per share for a period of 20 consecutive trading days, at any time after four months and one day subsequent to the closing date, an accelerated 30 day expiry date will be in effect.

d) Share purchase options:

The Company has established a share purchase option plan whereby the board of directors may from time to time grant options to directors, officers, employees or consultants. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of options is determined by the Board of Directors and shall not be lower than the allowable discounted closing market price of the shares on the business day immediately prior to the grant date.

The vesting schedules vary depending on the recipient. Director, officer and employee options vest as follows: 1/3 of the total number granted after six months, a further 1/3 after 1 year and the remaining 1/3 at eighteen months after the date of grant. October 27, 2005 the Company granted 350,000 director options at an exercise price of \$0.25 for a period of five years. The closing market share price on the business day immediately prior to the grant date was \$0.43. On April 11, 2007 Options for 650,000 shares were granted at an exercise price of \$0.20 for a period of five years to directors. The closing market share price on the business day immediately prior to the grant date was \$0.20.

As at January 31, 2008 there were 1,000,000 (January 31, 2007 - 450,000) options outstanding.

Summary of the Company's options at January 31, 2008:

Date	Number granted	Exercised	Expired/ Cancelled	Number outstanding April 30, 2007	Price per share	Expiry date
October 27, 2005	450,000	Nil	100,000	350,000	1) \$0.25	October 27, 2010
April 11, 2007	650,000			650,000	\$0.20	April 11, 2012
	<u>1,100,000</u>	Nil	100,000	<u>1,000,000</u>	Balance	

1) On April 30, 2007 the TSX Venture Exchange accepted amendments to stock option agreements dated October 27, 2005 reducing the exercise price from \$0.50 to \$0.25 approved by disinterested shareholders at the Annual General Meeting on October 15, 2007.

As of January 31, 2008 - 566,667 options have vested.

e) Stock based compensation

The fair value of options granted is estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	April 11, 2007
Average risk free interest rate	4.04 %
Average expected option life	5 years
Stock volatility – based on trading history	107 %
Dividend payments during life of option	Nil

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

On April 11, 2007 650,000 options were granted to purchase shares at \$0.20 per share. The total value was calculated to be \$102,815 on the grant date. Since the options were granted under a graded vesting schedule, \$51,407 of the fair value has been recorded in the Company accounts for the period.

KETTLE RIVER RESOURCES LTD.
NOTES TO FINANCIAL STATEMENTS (continued)
for the nine months ended January 31, 2008 and 2007
Canadian Funds
Unaudited – Prepared by Management

6. SHARE CAPITAL, continued

f) Contributed Surplus

Details are as follows:

	2008	2007
Balance – Beginning of year	\$ 265,351	\$ 62,071
Value of warrants (1) (Note 6, iii, v, vi)	484,195	-
Transferred to share capital upon exercise of options	-	-
Fair value of stock-based compensation (Note 6e)	51,407	31,036
Balance – End of year	\$ 800,953	\$ 93,107

(1) The Black-Scholes Option Pricing Model below was used in estimating the fair value of warrants as follows.

	<u>May 24, 2007</u>	<u>July 20, 2007</u>	<u>Sept 24, 2007</u>	<u>Oct 10, 2007</u>	<u>Nov 13, 2007</u>
Stock Price	\$ 0.21	\$ 0.17	\$ 0.195	\$ 0.325	\$ 0.245
Exercise Price	\$ 0.30	\$ 0.30	\$ 0.35	\$ 0.35	\$ 0.40
Expected life of warrants in years	1.00	1.00	2.00	2.00	2.00
Risk free interest rate	4.08 %	4.08 %	4.08 %	4.08 %	4.08 %
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected Stock volatility	110%	110%	94.54%	83.09%	102.21%
Number of warrants granted	2,800,100	2,433,000	758,000	295,750	930,000

7. RELATED PARTY TRANSACTIONS

Advances from directors and shareholders are unsecured and bear no interest. As at January 31, 2008, \$92 is owed.

For the period ended January 31st the Company incurred the following expenses with related parties:

	2008	2007
To directors for telephone and office to offset expenses incurred in conducting company affairs	\$ 5,400	\$ 5,400
To a director who is the president for management and assists with certain exploration related tasks and for storage facilities (exploration equipment and samples).	58,025	57,400
To directors who are not employees, for administration.	27,000	24,100
To a director who is a geological engineer for consulting services.	400	Nil
Total	\$ 90,825	\$ 86,900

During the period \$25,976 was recovered from a company that has two common directors for office and secretary expenses and reimbursement of expenses.

The above transactions have been recorded at their exchange amount, which is the amount of consideration agreed upon by the related parties.

8. SEGMENTED INFORMATION

No segmented information is presented because the Company has no recent logging operations and the Company is solely involved in mineral exploration

9. SUBSEQUENT EVENTS:

News Releases details below are in the MD&A report to be read in conjunction with this Financial Statement:

DIRECTORS AND POSITIONS:

Ellen Clements *, President and CEO
 Larry Widmer, BComm, Corporate Secretary and CFO,
 Gerald Rayner, Geol., P.Eng. *
 Stephen Levano, BA, MBA *

* Members of the Audit Committee