



# Kettle River Resources Ltd.

(An Exploration Stage Company)

**Six months to October 31, 2007**

**Management Discussion & Analysis**

**December 21, 2007**

## **Note to Reader**

The interim financial statements for the six months ended October 31, 2007 have been prepared by management and have not been subject to review by the Company's auditors. The following discussion and analysis of financial conditions and results of operations should be read in conjunction with the Company's interim financial statements and related costs.

**KETTLE RIVER RESOURCES LTD.**  
**FORM 51-102F1**  
**INTERIM MANAGEMENT DISCUSSION AND ANALYSIS**

**December 21, 2007**

**Introduction**

Kettle River has continued its efforts to date with a sole business objective to identify, evaluate and explore mineral properties having high potential for the discovery of economic mineral deposits. The goal would be to involve a major mining company in the early stages of a discovery for the creation of value for our shareholders. We remain a publicly traded company without any substantive operations, and thus, have realized no significant mining revenues to date. Kettle River was incorporated on October 17, 1980 pursuant to provisions of the British Columbia Company Act as Kettle River Mines Ltd. and within a short period changed its name to Kettle River Resources Ltd.

Our accompanying financial statements have been prepared using accounting principles generally accepted in Canada. Our fiscal year end is April 30<sup>th</sup> and any references to a fiscal year refer to the calendar year in which such fiscal year ends. All reported amounts are in Canadian dollars.

**Forward-Looking Information**

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Kettle River Resources Ltd. ("Kettle River" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to Kettle River. When used in this document, the words "anticipate", "believe", "estimate", "expect", "significant" and similar expressions, as they relate to Kettle River or its management are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and developments of the Company's exploration properties. Such statements reflect the current views of Kettle River with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievement of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the annual MD&A, additional important factors, if any, will be identified in the interim reports.

**Mineral Project Activity**

**Exploration expenditures by property for the period ended October 31, 2007**

|                                       | Greenwood<br>Area | DHK - NWT         | Silica Quarry<br>50% | Total             |
|---------------------------------------|-------------------|-------------------|----------------------|-------------------|
| Amortization                          | \$ 1,376          | \$ -              | \$ -                 | \$ 1,376          |
| Assaying                              | 21,950            | -                 | -                    | 21,950            |
| Assessment, filing fees, membership   | 9,486             | -                 | -                    | 9,486             |
| Direct charges – wages                | 19,300            | 6,400             | -                    | 25,700            |
| Exploration costs                     | 158,994           | 566,887           | 50                   | 725,931           |
| Field supplies                        | 549               | -                 | -                    | 549               |
| Property costs & acquisition          | 494               | -                 | -                    | 494               |
| Storage (samples & equipment)         | 3,453             | -                 | -                    | 3,453             |
| Property and Mineral taxes            | 1,578             | -                 | -                    | 1,578             |
| Travel & accommodation                | 1,081             | 2,962             | -                    | 4,043             |
| <b>Sub-total:</b>                     | <b>\$ 218,261</b> | <b>\$ 576,249</b> | <b>\$ 50</b>         | <b>\$ 794,560</b> |
| <b>Less: Recovered property costs</b> | <b>(\$ 5,000)</b> |                   |                      | <b>(\$ 5,000)</b> |
| <b>TOTAL:</b>                         | <b>\$ 213,261</b> | <b>\$ 576,249</b> | <b>\$ 50</b>         | <b>\$ 789,560</b> |

During the six month period ended October 31, 2007 a total of \$794,560 (2006 - \$406,614) was spent on mineral property activities as shown in the above table.

**Second Quarter Update: EXPLORATION ACTIVITIES**

Kettle River's main objective is to make a mineral deposit discovery. Land holdings are mainly focused on exploration in Canada for gold in the Greenwood Mining District and diamonds in the Northwest Territories.



## **DHK Diamonds Inc: (DHK) Lac de Gras area – Northwest Territories**

The DHK Company was formed together with two other junior companies to manage and explore three blocks (originally 208,000 acres) of prospective diamond property acquired in 1992 in the area of the first diamond discovery in the Canadian Northwest Territories. The property was optioned to Kennecott Canada Exploration Inc. (KCEI), carrying the DHK group's 35% interest through airborne surveys, till sampling, ground geophysics, and drill testing numerous targets. Diamonds were found in most kimberlites tested and only in the area of the Tli Kwi Cho (WO Block) did the diamond content indicate potential for a mine where bulk sampling was conducted in 1994 with disappointing results. KCEI returned the property to DHK in 2000 retaining a 1% Gross Overriding Royalty (GORR). DHK entered into various agreements, with varying interest, with Archon Minerals Ltd., BHP Billiton Diamonds Inc. and currently Peregrine Diamonds Ltd. The WI and DHK Blocks were abandoned.

The Pellatt Lake claims are located approximately 360 km northeast of Yellowknife on NTS Map Sheet 76C/13 and about 40 km east of the Ekati Mine. In 2000, DHK acquired the Pellatt Lake property from Kennecott Canada Explorations Inc. (KCEI) which contained a diamondiferous dyke like kimberlite. KCEI retains a gross overriding royalty of 1% on these claims. DHK took PC9, PC10 and PC13 to lease and are currently responsible for the annual lease fees. An agreement remains in good standing where Peregrine Diamonds Ltd. (Peregrine) can earn a 51% interest by flying Falcon gravity gradiometer surveys and drilling selected targets. Once Peregrine vests with 51% of certain areas (those drilled), it has a second option, within 4 years of vesting, to earn another 14% by completing a 100 tonne bulk sample. A further 10% can be earned by arranging production cost financing for DHK. Under the agreement, Peregrine will pay for all exploration and arrange financing to bring any discovery into production.

The Company has increased its shareholdings in DHK to 42.5% from 33 1/3% due to contributing 50% of funds to meet the DHK portion of the WO JV cash calls with a further possible increase in mid January 2008. The Company reports contributions to budgets as exploration costs. During the period ended October 31, 2007 costs of \$576,249 (2006 - \$378,811) were incurred: Exploration costs of \$566,887, (2006 - \$372,711) and \$6,400 (2006 - \$6,100) for management and related expenses, and \$2,962 (2006 - \$ Nil ) for administrative travel costs.

### **WO (DO27) Joint Venture – (Peregrine Diamonds Ltd., Archon Minerals Ltd., DHK Diamonds Inc.)**

DHK Diamonds Inc. has a contributing 10.77% interest in the WO diamond project. Peregrine Diamonds Ltd. ("Peregrine"), the operator since 2005 bulk sampled to test the economics and feasibility of the DO27 kimberlite with approximately \$58 million spent to date. The average modelled value of 2,075 carats worth of diamonds recovered from the nine-hectare DO-27 kimberlite pipe ranged from \$43 (U.S.) to \$70 (U.S.) per carat, with a base case average of \$51 (U.S.) per carat. These valuation results, along with updated grade and geological information, will be used by Peregrine and AMEC Americas Ltd. to complete the preliminary technical assessment ("PTA") report, which will investigate the current economic potential of DO-27. News releases on the Company website contain the details and a list of the more important diamonds.

The operator has reported a current surplus of JV funds and does not anticipate a budget proposal nor cash call requirements until after the PTA report has been assessed.

### **Pellatt Lake Property:**

Peregrine reported that 162 heavy mineral samples were collected and during the period a single diamond drill hole tested three high priority anomalies drilling a total of 497 meters. No kimberlite was encountered.

### **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), majority owned (57.49%) and operated by New Nadina Explorations Limited (New Nadina). Another kimberlite discovered in 2007, Genie has been added to the three 2006 kimberlite discoveries where micro diamonds returned positive results. Results are pending on the approximate two tonne kimberlite sample acquired from the RIP pipe. In addition, Kettle River owns 1.7 million free trading shares of New Nadina.



## SASKATCHEWAN – 50%

The Nipikamew silica sand quarry in Saskatchewan remains in good standing and the quarry production potential that is dependant on market demand continues to be reviewed. The property is approximately 37 acres and under lease which currently expires in December 1, 2009 and is subject to an annual rental of \$2 per acre. Each partner records individual expenses as incurred. The Company feels there is potential to test and market the silica potential on this property. During the year \$50 (2006 - \$ 50) was expended on research.

### GREENWOOD MINING DIVISION – SOUTHERN BRITISH COLUMBIA:

#### Greenwood Area Expenditure breakdown by property for the period ended October 31, 2007

|   | 2007<br>Exploration<br>Program | Phoenix          | Arcadia       | Bluebell        | Tailings        | Niagra       | Tam<br>O'Shanter | Greenwood<br>Area<br>TOTAL |
|---|--------------------------------|------------------|---------------|-----------------|-----------------|--------------|------------------|----------------------------|
| Amortization                              | \$ -                           | \$ 344           | \$ -          | \$ 344          | \$ -            | \$ -         | \$ 687           | \$ 1,375                   |
| Assaying                                  | 21,950                         | -                | -             | -               | -               | -            | -                | 21,950                     |
| Assessment/Recording                      | -                              | 6,060            | 394           | 2,827           | 110             | 95           | -                | 9,486                      |
| Direct charges – wages                    | 11,400                         | 4,900            | -             | 2,100           | 900             | -            | -                | 19,300                     |
| Exploration costs                         | 158,844                        | 75               | -             | 75              | -               | -            | -                | 158,994                    |
| Field supplies                            | 549                            | -                | -             | -               | -               | -            | -                | 549                        |
| Property costs & acquisition              | -                              | -                | -             | -               | 494             | -            | -                | 494                        |
| Storage (samples & equipment)             | -                              | 1,302            | -             | 850             | -               | -            | 1,302            | 3,454                      |
| Property & Mineral taxes                  | -                              | 1,229            | -             | 349             | -               | -            | -                | 1,578                      |
| Travel & accommodation                    | 1,081                          | -                | -             | -               | -               | -            | -                | 1,081                      |
| <b>Sub-total:</b>                         | <b>\$ 193,824</b>              | <b>\$ 13,910</b> | <b>\$ 394</b> | <b>\$ 6,545</b> | <b>\$ 1,504</b> | <b>\$ 95</b> | <b>\$ 1,989</b>  | <b>\$ 218,261</b>          |
| <b>Less: Recovered<br/>Property costs</b> | <b>-</b>                       | <b>(5,000)</b>   | <b>-</b>      | <b>-</b>        | <b>-</b>        | <b>-</b>     | <b>-</b>         | <b>(5,000)</b>             |
| <b>TOTAL:</b>                             | <b>\$ 193,824</b>              | <b>\$ 8,910</b>  | <b>\$ 394</b> | <b>\$ 6,545</b> | <b>\$ 1,504</b> | <b>\$ 95</b> | <b>\$ 1,989</b>  | <b>\$213,261</b>           |

The Greenwood Area Properties are grouped according to geographical area and accounting purposes. At this time, the 2007 Exploration Program is segregated for reporting purposes where work was conducted on the Phoenix and Bluebell areas. A team of four prospectors, under the supervision of Linda Caron, MSc, PEng commenced work in early May by following up encouraging soil geochemistry results in selected areas. Four separate zones of interest (Battle, Bullion, Homestake and Minnie Moore) were discovered in the 2007 program. Follow-up trenching results on the Bullion and Homestake provided little encouragement and efforts were dedicated to the Minnie Moore zone where high values were encountered. Significant properties designated for continued exploration within the Greenwood Area Properties during 2008 are the Minnie Moore epithermal and the Battle zones.

#### Greenwood Area Properties

Of the 55 Crown Grants and Mineral Lease tenure covering the Phoenix Mine Area, this former copper gold producer, surface title and various timber rights are held on approximately 350 acres. There is a Marble prospect quarry lease within this area. During the period a total of \$13,910 was expended (2006 - \$14,421). Recording of work programs and generation of reports with wage costs of \$4,900 (2006 – 2,400). An amount of \$5,000 was received from another company during the period as compensation for access and has been recorded as a property cost recovery.

Limited exploration was conducted on the Bluebell-Summit property other than work conducted the Minnie Moore and costs of \$6,545 (2006 - \$10,376) relate to sample and core storage, mineral taxes and wage costs. The Minnie Moore showing is located within the Bluebell Group and due to the significance of the discovery has been segregated for current reporting.

#### 2007 Exploration Program

The \$193,824 2007 Exploration Program expenditure reported relates mainly to mapping, prospecting, sampling, soil sampling, geophysics, assaying, and trenching in the selected areas. Drilling, assays and other related costs are subsequent to the October 31<sup>st</sup> financial reporting.



### **Battle Zone:**

Situated less than a kilometer from the former Phoenix Minesite, mineralization occurs as stock working pyrite-quartz veinlets and as semi-massive pyrite-quartz shear zones within the same rocks that hosted the Phoenix deposit. Pyrite mineralization with elevated gold has been found in outcrop, subcrop and in shallow historic exploration pits, intermittently over an area of 250 meters by 850 meters. Road building for drill access along with further sampling and detailed geological mapping and representative chip sampling has been completed in preparation for 2008 drilling. Topography here is steep and precludes trenching.

### **Minnie Moore – Gold-Silver Epithermal Discovery confirmed by significant high grade silver assays:**

This is a new discovery and untested by any previous exploration. High silver values, 2,027 grams per tonne (“g/t”), encouraging gold values of 3.3 g/t, plus elevated base metals were found in a select grab sample during the spring 2007 prospecting program. Subsequent trenching exposed a limestone-hosted epithermal siliceous breccia zone confirmed by chip sample assays of sample line 3 in the first trench returning values of 1,044 g/t silver (30.5 oz/t Ag) and 2.71 g/t Gold (0.08 oz/t Au) over 6.2 meters (20.3 feet) on the then exposed vein. Five lines of samples across the vein were taken, at intervals, over a strike length of 40 meters (131 feet). Sample line 3 included 1,469 g/t Ag (42.9 oz/t Ag) and 3.95 g/t Au (0.12 oz/t Au) over 4.2 meters (13.8 feet).

Additional excavation and sampling were completed in October 2007 with further assays pending. Results expected by mid January 2008 may extend the true width of the zone.

Assay and reporting results from the 10 hole 1,485-metre diamond drill program completed in November are also pending as are those from the soil geochemical survey completed over the area. Once results are assessed, the 2008 exploration program will be planned.

### **Other Greenwood Area Exploration**

During the period Gold-copper mineralization was found on the Homestake Zone, west and southwest of the Minnie Moore epithermal vein and approximately 500 meters northwest of the historic Emma Mine. A steeply dipping zone of massive pyrrhotite was exposed by trenching and accounting for the gold values sampled during prospecting. Further work is not currently planned on this zone.

No exploration of significance was conducted on other groups within the Greenwood Area holdings and costs allocated mainly relate to core storage, amortization and property maintenance. Costs of \$1,504 (2006 - \$516) during the period are attributed to the Phoenix Tailings property. Tam O’Shanter property costs of \$1,989 (2006 - \$2,062) relate to sample and core storage and the balance for fees and amortization expense. Costs of \$95 (2006 - \$122) relate to the Niagara Property and Arcadia (Skylark) property expenditures of \$394 (2006 - \$256) relate to office expense.

## **Selected Annual Information and Summary of quarterly reports**

The following discussion and analysis of financial conditions and results of operations should be read in conjunction with the Company’s financial statements and related costs for the years ended April 30, 2006 and April 30, 2007 and with the Company’s interim financial statements and related costs. The following table sets out financial information for the last 8 most recently completed quarters. Kettle Rivers interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and expressed in Canadian dollars.

### **Selected quarterly information**

| Period                       | Net Income or (Loss)<br>for the quarter | Basic and diluted<br>Earnings or (Loss) per<br>share for the quarter | Total<br>Assets | Total Liabilities |
|------------------------------|---|--|-----------------|-------------------|
| 2 <sup>nd</sup> Quarter 2008 | \$ (484,266)                            | (0.02)   | \$ 986,344      | \$ 46,707         |
| 1 <sup>st</sup> Quarter 2008 | (440,594)                               | (0.03)   | 470,672         | 54,904            |
| 4 <sup>th</sup> Quarter 2007 | (872,271)                               | (0.07)   | 215,426         | 766,899           |
| 3 <sup>rd</sup> Quarter 2007 | (127,210)                               | (0.01)   | 261,960         | 346,859           |
| 2 <sup>nd</sup> Quarter 2007 | (299,176)                               | (0.03)   | 277,020         | 347,720           |
| 1 <sup>st</sup> Quarter 2007 | (182,345)                               | (0.02)   | 219,994         | 22,553            |
| 4 <sup>th</sup> Quarter 2006 | (357,730)                               | (0.04)   | 369,542         | 20,792            |
| 3 <sup>rd</sup> Quarter 2006 | (578,240)                               | (0.04)   | 710,995         | 35,550            |



## **Discussion of Operations and Financial condition**

The following discussion and analysis of financial conditions and results of operations should be read in conjunction with the Company's interim financial statements and related costs. The current period figures are for the six month period ended October 31, 2007.

For the current period, the Company experienced a net loss of \$924,860 or \$0.03 per share compared to a loss of \$481,521 or \$0.03 per share the previous year.

Operating expenses of \$161,923 for the period, arising from general and administrative costs, (2006 - \$153,820) increased from the previous year. During the current period, travel & accommodation increased by \$3,851, stock compensation costs were \$34,272 (2006 - \$62,071), office and sundry expense increased by \$6,745, accounting, audit and legal increased by \$2,580, licences, insurance and transfer agent fees increased by \$16,554, management, salary & wages increased by \$12,210 while advertising promotion and printing decreased by \$172.

Property exploration costs increased to \$789,560 from \$406,614 during the same period the previous year and the increase is attributed to higher exploration costs on the DHK WO Project and on property in the Greenwood Area. 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 care taking are expensed when incurred.

The Company had working capital of \$869,289 as at October 31, 2007 and has accumulated losses of \$12,622,423. Since inception, the Company has been successful in funding its operations and at October 31, 2007 had net issued shares of 26,044,211 for net proceeds of \$12,778,242 averaging \$0.49 per share. Kettle River shares traded at \$0.275 on December 21, 2007 and since May 1, 2007 just over 16 million shares of the Company have traded. There has been no change in the nature of or manner neither in which business is conducted nor in business conditions which would affect the Company's financial results.

The Company is engaged in the exploration, development and exploitation of mineral resources for precious metals and diamonds. The properties of the Company are without a known body of commercial ore. The exploration programs undertaken and proposed constitute an exploratory search and there is no assurance that the Company will be successful in its search. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation. The amounts shown as property acquisition costs represent acquisition and holding cost, less amounts written off, and do not necessarily represent present or future values.

### **Management changes during the period**

There have been no management changes during the period.

### **Financing Activities and Stock Options**

Refer to the complete details in the October 31, 2007 Financial Statement

### **Liquidity**

The financial statements for the period ended October 31, 2007 have been prepared on the basis of accounting principles applicable to a going concern. This assumes that Kettle River will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Kettle River has incurred operating losses over the last several fiscal years, has limited financial resources, no source of operating cash flow and no assurances that sufficient funding, including adequate financing, will be available to further explore its mineral property projects and to cover the overhead costs necessary to maintain a public company in good standing. At October 31, 2007, Kettle River had working capital of \$869,289 compared to working capital deficit of \$623,421 at April 30, 2007.

### **Additional Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure concerning Kettle River's general and administrative expenses and resource property costs is provided in the Company's Statement of Loss and Deficit and the Schedule of Resources Property Costs contained in its Audited Financial Statements for April 30, 2007 available on its SEDAR page at [www.sedar.com](http://www.sedar.com)



### **Transactions with Related Parties**

Related party transactions are negotiated in the best interest of the Company at arms length basis market terms and are detailed in Note 7 of the Financial Statements.

To an employee who is also a director, and on Oct. 24, 2005 appointed president, is paid \$6,000 per month. A director is paid rental for providing storage facilities for exploration equipment and samples. Three directors are paid \$200 each per month for telephone and office to offset expenses incurred in conducting company affairs of which one also provides geological consulting services and is paid at \$400 per day plus expenses and another director who acts as a consultant to the company and charges \$50/hour. The Company provides office space and management services to a company ("New Nadina Explorations Limited") with directors in common, in consideration for a monthly fee of \$1,500 and 50% of time and wages for support staff. Miscellaneous charges, like telephone, postage, travel are based on actual costs. At October 31, 2007, there is a receivable from New Nadina Explorations Limited for \$27,088. Advances from directors and shareholders are unsecured and bear no interest. As at October 31, 2007, \$4,238 is owed to directors.

### **Changes in Accounting Policies**

The financial statements for the period ended October 31, 2007 followed the same accounting policies and methods of application used in the previous period presentation.

### **Other**

There were no particular investor relation activities undertaken or contracts entered into during the period although the Company is currently investigating an investor relation position. Investor relation functions were accomplished through directors whose duties include dissemination of news releases and provision of information as requested by interested parties.

### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash and cash equivalents, other amounts receivable, marketable securities, accounts payable and shareholders' and directors' loans. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

### **Approval**

The Board of Directors of Kettle River has approved the disclosure contained in this report. A copy of this MD&A will be provided to anyone who requests it. Financial Statements of the Company are available on their website (under news) and at [www.sedar.com](http://www.sedar.com).

