



# Kettle River Resources Ltd.

(An Exploration Stage Company)

**Nine months to January 31, 2007**

**Management Discussion & Analysis**

**March 22, 2007**

## **Note to Reader**

The interim financial statements for the nine months ended January 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**

**March 22, 2006**

**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 January 31, 2007**

	Greenwood Area	DHK NWT	Silica Quarry 50%	Naket 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	9,424	375,730			385,154
Field supplies	106				106
Legal and Miscellaneous	535	7,524			8,059
Property costs & acquisition	116				116
Roadwork/reclamation	-				-
Storage (samples& equipment)	3,842				3,842
Property and Mineral taxes	1,613				1,613
Travel & accommodation	873	460			1,333
<b>Subtotal:</b>	<b>\$ 30,504</b>	<b>\$ 393,164</b>	<b>\$ 100</b>	<b>\$ Nil</b>	<b>\$ 423,768</b>
<b>Less: Government assistance</b>	<b>(48,191)</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>(48,191)</b>
<b>Total:</b>	<b>\$ (17,687)</b>	<b>\$ 393,164</b>	<b>\$ 100</b>	<b>\$ Nil</b>	<b>\$ 375,577</b>

During the period ended January 31, 2007 a total of \$423,768 (2006 - \$719,975) was spent on mineral property activities as shown in the above table.



### **Third Quarter Update:**

Kettle River's main objective is to make a mineral deposit discovery. Due to the current land and mineral tenure holdings and expertise of the management team, efforts are mainly focused on exploration in Canada for diamonds in the Northwest Territories and gold in the Greenwood Mining District.

### **DHK DIAMONDS INC.**

Currently DHK owns 10.78% contributing interest in the WO JV Diamond project near Lac de Gras Northwest Territories operated by Peregrine Diamonds Inc., 100% of Pellatt Lake properties currently under option to Peregrine and holds a 1% royalty on the Monument Diamond Property owned 57.49% by New Nadina Explorations Limited.

By attendance and voting at budget meetings, DHK shareholders (Dentonia, Horseshoe & Kettle River) committed to maintain the 20% interest in the WO JV diamond project. On Oct 5, 2006 DHK management notified Peregrine Diamonds Ltd. of their election to contribute to the budget program, payment of just over \$3 million being 20% of the sampling budget of \$14 million for the DO18 and DO27 northeast lobe kimberlite extraction approved July 21, 2006. Kettle River agreed to contribute its portion (\$1,049,762.35) to the August 10, 2006 budget with payment due within 120 days or before December 9, 2006.

With large contributions looming, Kettle River management explored various avenues to reduce shareholder dilution and still maintain its indirect 6.67% project interest. A business combination arrangement was announced October 26, 2006 whereby Kettle River shareholders would receive one Peregrine share in exchange for five Kettle River shares. While Kettle River paid DHK its 1/3 of the \$3,149,287 contribution requirement due Dec. 9, 2006, Dentonia and Horseshoe did not make similar deposits and no amount was paid to the WO JV cash call. This resulted in a dilution of DHK interest to 10.78%. The loss of the DHK interest resulted in a material change in Kettle River's assets and termination of the arrangement with Peregrine. Significant expenses were incurred for Fairness Opinion, financial review, Information Circular, property reports for shareholder approval. The loss of opportunity in this instance is significant and Kettle River is exploring options to regain its loss. (NR December 14, 2006)

While the Company, in order to fund its contributions, is subject to shareholder dilution through issuance of significant shares, Kettle River management is dedicated to sustain its DHK position in the belief there is potential for economic diamond production at the DO27 project.

On February 7, 2007, \$381,000 was deposited by Kettle River to cover 50% of the DHK contribution requirements to the WO JV project. This covered Kettle River's one third plus 50% of a non-contributing DHK shareholder. Funding was provided from a non-brokered private placement for the issuance of 2,750,000 units at \$0.15. Additional funding will be raised for a further contribution of \$827,301 that is due to the WO Joint Venture on May 2, 2007 anticipating funding requirements remain the same as previous terms.

Since the year 2001, certain directors of DHK claimed that the Company was required to reimburse amounts relating to certain Dentonia and Horseshoe costs dating back to 1994. In order to settle this matter, Kettle River presented its related expenses during the same period resulting in the matter being settled. On February 27, 2007, the 54,319 issued shares at \$100 of DHK extinguish all shareholder advances and outstanding liabilities to date with ownership of DHK being: both Kettle River and Dentonia Resources Ltd. 36% and Horseshoe Gold Mining Inc. at 28%.

### **DHK - WO Farm Out agreement discussions terminate**

The ability for DHK shareholders to use Flow Through ("FT") funds was explored where a direct property interest would be earned in order to qualify with CRA FT tax requirements. DHK rejected a Farm-Out Agreement proposal on Oct 12th and at this time, no further discussion is anticipated as the WO JV agreement disallows any direct interest less than 4% further restricting attempts to dissolve DHK Diamonds Inc.

### **Summary of Work at DO27**

In the spring of 2005, 150 tonnes of kimberlite from DO27 produced 135.96 carats of diamonds with an average grade of about 0.91 carats per tonne. Three independent valuations of diamonds resulted in average values of US\$67.20, US\$59.95, and US\$53.21 per carat with a 1.85 carat diamond valued at between US\$1,591 and US\$2,063.

During April and May 2005 core drilling designed to twin the Reverse Circulation (RC) holes in the bulk sample for geological information, produced 750 meters of NQ size core in three holes, the deepest hole ended in kimberlite at 460 meters.

A core-drilling program commenced in July 2005 drilled a total of 2,304 metres in 12 holes. Four were drilled into the main vent of DO-27 while the remaining holes were drilled into the northeastern subsidiary lobe. In addition, 1,174 metres of core drilling were completed in 7 holes at DO-18. Analysis for microdiamonds received for drill holes drilled into the main vent of DO-27 returned values consistent with the 2005 bulk sample program.

Results from the more geologically complex northeastern lobe indicate good potential for the presence of large stones as relatively large diamonds (0.59 and 0.28 carats) were obtained from NQ core drill intercepts. Results of micro-diamond



samples received from the seven core holes drilled into the DO-18 were considered to be sufficiently encouraging to proceed with acquiring a mini-bulk sample in the summer of 2006.

Between February and May 11 2006, 566 tonnes of kimberlite was extracted from DO-27 using a large diameter (24") reverse circulation drill (LDRC). Bulk sampling was scheduled to continue in August 2006 on the land-based portion of DO-27 (Northeast Lobe) and that in October 2006 LDRC drilling would begin on the DO-18 kimberlite. Processing of the 566 tonne bulk sample began at the Ekati Diamond Mine Sample Plant on June 15, 2006. On September 5, 2006 we announced 8,855 diamonds larger than 1 mm were recovered from 548 dry tonnes of kimberlite including 49 stones larger than one-half carat and 13 diamonds greater than one carat.

On November 6, 2006 details of a valuation report prepared by WWW International Diamond Consultants Ltd. on the 2005 and 2006 diamond parcels comprising 508.9 carats was released by the company, the average modeled valuation ranged from US \$41 to US \$62 per carat using WWW's September 2006 diamond price book.

A further sampling budget of \$14million for the DO18 and DO27 northeast lobe kimberlite extraction was approved July 21, 2006. The Company agreed to contribute its portion (\$1,049,762) to the August 10, 2006 budget with payment due within 120 days or before December 9, 2006. Concurrence was formally acknowledged on Oct 5, 2006 by DHK management.

As of March 13, 2007 the operator reported that approximately 1,100 tonnes of kimberlite has been extracted as part of the 2007 bulk sample program currently underway at DO-27 via 13 large diameter drill (LDD) holes, ranging from 20 to 28 inches in diameter, have been completed to depths of up to 275 metres. Three LDD rigs are currently drilling on ice in addition to two core rigs that are drilling delineation, pilot and metallurgical holes. Drilling is scheduled to continue to April 15<sup>th</sup> or longer depending on weather and available unspent budget. There were 12 holes remaining. Processing of this kimberlite is expected to commence on April 1<sup>st</sup> at the Ekati test plant and is expected to take four months to process. In anticipation of economics, discussions pertaining to a system to removing waste and concentrate the ore thus reducing processing cost were discussed. The project is working to prove or disprove the feasibility of a diamond mine onsite or offsite.

### **Pellatt Lake Property**

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. Ten claims were acquired by DHK Diamonds Inc. (DHK) in 2000 with a 1% royalty payable to Kennecott Canada Explorations Inc.

Leases were granted in 2006 on the PC9, PC10 and PC13 claims, being the only claims now subject to the 1% Royalty. DHK acquired the NPC1-3 claims by staking in 2000 having an initial expiry date of November 15, 2002. In 2000 Intrepid Geophysics was contracted by DHK to revisit the airborne geophysical data and his report identified in a number of targets recommended for exploration. No exploration work was conducted by DHK. In March 2003, a refundable bond of \$16,269 was posted on the three claims.

In 2003 DHK allowed 6 claims (NPC4-9) to lapse at their expiry of January 3, 2003. Dentonia, a shareholder having common directors of DHK, on April 3, 2003 acquired by staking the SWB 1-7 claims covering ground formerly held by DHK.

Agreements with Peregrine Diamonds Ltd. dated May 23, 2003 between DHK and Dentonia Resources Ltd. (SWB 1-7) claims, and amended September 4, 2004, whereby Peregrine Diamonds Ltd. (Peregrine) can earn a 51% interest by flying Falcon gravity gradiometer surveys and drilling selected targets. Drilling must be completed by the end of December 2005 (or the end of December 2006 in the event that +10 targets require testing). Once Peregrine vests with 51%, it has a second option to earn another 14% by completing a 200 tonne bulk sample within 4 years of vesting with 51%. Peregrine has a third option to earn another 10% by financing Dentonia and DHK portions of development to be reimbursed these costs from cash flow plus 2% above Peregrine's financing costs.

On March 16, 2007 DHK and Dentonia amended the Peregrine/Pellatt Lake Option Agreements. Peregrine was given the right to drill-test any areas containing geological anomalies identified by the Falcon Survey before to December 31, 2008. Peregrine now has 90 days following December 31, 2008 to determine, select and define target areas for further work, drill tested to exercise its first option to earn 51%. To earn its second option of a further 14% of the target area, Peregrine having earned its 51% has a further five years to conduct a minimum 100 tonne sample. The minimum requirements to complete a bulk sample have been reduced from 200 to 100 tonnes within five years instead of four.

The consideration provided by Peregrine reducing the diamond marketing rights period from ten years to five and the marketing fee from 8% to 5%. Peregrine has filed assessment work to maintain the claims. On March 13, 2007 an update was provided as to the 2007 program. Heavy mineral sampling results have just recently been received and interpretation is in progress. Initial results suggest sources other than the one known kimberlite may exist on the Pellatt Lake property. Plans are being finalized, for an aggressive exploration program.



### **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. During the 2006 program three new kimberlites were discovered and micro diamonds from drilling of previously known kimberlites returned positive results.

During the period ended January 31, 2007, DHK related costs were \$393,164 (2006 – \$665,945) and mainly consisted of expenses related to diamond drilling, kimberlite analyses, geophysics and costs related to the extraction of 566 tonnes of kimberlite with results reported in the News Release September 5, 2006. Since April 30, 2006, the Company has contributed \$393,164 to DHK for exploration and operations and as of December 11, 2006 the DHK contributing interest has been diluted from 20% down to 10.78%.

### **Saskatchewan - 50%**

The Company continues to explore the potential to further test and market the silica potential on this property. \$100 (2006 - \$55) was expended on research.

### **NAKET Project, Nunavut –50%**

The property currently consists of one claim that contains an untested geophysical anomaly. Each partner of the Naket JV records their individual expenditures as they are incurred. The Company is carried for the next program up to \$52,852 in order to equalize previous expenditures. The Company spent \$Nil (2006 - \$ Nil) on the property during the period.

Results have been received from the 2006 till sampling were not encouraging and pending confirmation from the qualified person in charge of the project, the property will be dropped.

## **GREENWOOD MINING DIVISION – SOUTHERN BRITISH COLUMBIA:**

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

	Phoenix	Bluebell	Rads	Tailings	Haas	Arcadia	Tam O'Shanter	Niagara	Greenwood Area
Amortization	\$ 579	\$ 579	\$	\$	\$	\$	\$ 1,158	\$	\$ 2,316
Assaying	1,929	1,382							3,311
Assessment, filing fees, membership	1,762	628				206	250	122	2,968
Direct charges – wages	2,800	2,000		600					5,400
Exploration costs	4,867	4,407			100	50			9,424
Field supplies	53	53							106
Property costs & acquisition Legal	535			116					116
Storage (samples & equipment)	1,248	1,218					1,376		3,842
Property and Mineral taxes	1,264	349							1,613
Travel and accommodation	437	436							873
Subtotal:	15,474	11,052	Nil	716	100	256	2,784	122	30,504
Less Government assistance	(48,191)								(48,191)
<b>Total:</b>	<b>\$(32,717)</b>	<b>\$ 11,052</b>	<b>\$ Nil</b>	<b>\$ 716</b>	<b>\$ 100</b>	<b>\$ 256</b>	<b>\$ 2,784</b>	<b>\$ 122</b>	<b>\$(17,687)</b>

Specific Greenwood Area Property Summary:

#### **Phoenix Mine Area**

During the period a total of \$15,474 was expended (2006 - \$15,504). Recording of work programs and generation of reports with wage costs of \$2,800.

During July 2006, a prospecting and rock sampling program was carried out on the Phoenix and adjoining Bluebell properties. The objectives of the program were to assess the potential for epithermal style mineralization in and to the south of the Phoenix pit, to prospect for limestone-hosted epithermal style mineralization on the Bluebell property, and to locate, sample and evaluate the Maple Leaf showing, which had been untested by any recent work



The results were encouraging and further work has been recommended by Linda Caron, M.Sc., P.Eng. qualified person in charge of the program. Areas of anomalous Au, Ag and As from previous soil geochemical surveys would be ground located and prospected and excavator trenching is recommended to provide better exposure of the epithermal system in the War Eagle area (and in areas of interest resulting from the program) for detailed mapping and sampling. Work is also recommended to better expose the Rawhide vein and to test the on-strike extent to the east and west with follow-up diamond drilling to test both the vein and epithermal system at depth.

**Phoenix Tailings property**

Costs of \$716 (2006 - \$1,567) during the period.

**Haas Property**

Costs of \$100 (2006 – \$600) during the period.

**Bluebell-Summit Property**

Limited exploration was conducted and costs of \$11,052 (2006 - \$6,139) relate to sample and core storage, mineral taxes and wage costs. Refer to work description described under Phoenix Mine Area.

**Tam O’Shanter**

Costs of \$2,784 (2006 - \$6,161) related to sample and core storage and the balance for fees and amortization expense.

**Niagara Property**

Costs of \$122 (2006 - \$11,814) during the period.

**Arcadia (Skylark) Property**

Expenditures of \$256 (2006 - \$3,651) relate to office expense.

**Rads Property**

Costs of \$ Nil (2006 – \$8,539) related to wages and property costs.

**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, 2005 and April 30, 2006 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) for the quarter	Basic and diluted Earnings or (Loss) per share for the quarter	Total Assets	Total Liabilities
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
2 <sup>nd</sup> Quarter 2006	(211,208)	(0.03)	369,922	140,498
1 <sup>st</sup> Quarter 2006	(121,088)	(0.02)	394,102	22,220
4 <sup>th</sup> Quarter 2005	(46,787)	(0.01)	290,768	16,548

**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 nine month period ended January 31, 2007.

For the current period, the Company experienced a net loss of \$608,731 or \$0.06 per share compared to a loss of \$910,536 or \$0.08 per share the previous year.

Operating expenses of \$261,117 for the period, arising from general and administrative costs, (2006 - \$194,436) increased from the previous year. During the current year period, travel & accommodation decreased by \$14,331, stock compensation costs were \$93,107 (2006 - \$31,036), office and sundry expense increased by \$9,782, accounting, audit and legal increased by \$16,540, licences, insurance and transfer agent fees decreased by \$7,434, management, salary & wages decreased by \$3,506 while



advertising promotion and printing decreased by \$5,577. A financial consulting expense of \$9,000 was incurred in the period (2006 – Nil) related to a Fairness Opinion.

Property exploration costs decreased to \$423,768 from \$719,975 during the same period the previous year and the decrease is mainly attributed to lower exploration costs on the DHK WO Project. 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.

A British Columbia Mining Exploration Tax Credit receivable of \$48,191 unrecognized in previous years but relating to exploration expenses incurred in 2004, 2005 and 2006 is reported in the current period as government assistance.

The Company's six month statement to October 31, 2006 had recorded this government assistance receivable for the years 2004 and 2005 as \$55,289. A subsequent review has determined that the correct amount receivable with respect to these two years was \$36,920. This reduction of \$18,369 has been deducted from government assistance of \$11,271 related to 2006 with the net amount of (\$7,098) reported in the interim statement for the three months ended January 31, 2007.

The Company has a working capital deficit of \$157,761 as at January 31, 2007 and has accumulated losses of \$10,825,292. Since inception, the Company has been successful in funding its operations and at January 31, 2007 had net issued shares of 11,297,611 for net proceeds of \$10,585,215 averaging \$0.94 per share. Kettle River shares traded at \$0.22 on March 22, 2007. 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.

Of the \$341,581 payable, \$298,228 is due and repayable to Peregrine Diamonds Ltd. on May 1, 2007 for advances under the terms of the terminated business arrangement.

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.

### **Investing Activities**

The company sold 60,000 shares of New Nadina Explorations Limited realizing net proceeds of \$24,554 to hold 1,782,582 shares.

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

Current directors and officers are: Ellen Clements, Larry Widmer, Gerald Rayner and Stephen Levano. Ellen Clements is President and Chief Executive Officer and Larry Widmer, B.Comm., is Chief Financial Officer and Corporate Secretary.

On February 22, 2007 the Company reported that Stephen (Steve) Levano replaced Brian McClay on the board of directors and the audit committee. Steve has been involved as a shareholder of the Company for over 10 years. He has an extensive business and education background and possesses a BA in Economics, a MBA in International Finance and has over 30 years of investment experience with natural resource companies.



## Financing Activities

### Share Capital

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

<b>b) Issued and fully paid:</b>	<b>No. of Shares</b>	<b>Value</b>
Opening balance May 1, 2006:	11,297,611	\$ 10,585,215
Less Issuer Bid shares held by company	(256,000)	(698,854)
<b>Balance at April 30, 2006</b>	<b>11,041,611</b>	<b>9,886,361</b>
Issued – Shares for Debt Settlement (i)	256,000	698,854
<b>Balance at January 31, 2007</b>	<b>11,297,611</b>	<b>\$ 10,585,215</b>

(i) On December 5, 2006 the TSX Venture Exchange accepted the Company's proposal to settle outstanding debt for \$81,975 with 256,000 shares held in reserve from previously executed Normal Course Issuer bids.

Warrants outstanding:

On November 7, 2006 the TSX Venture Exchange granted approval extending, by one year, 1,530,000 warrants to December 4, 2007. These were associated with the December 5, 2005 private placement priced at \$0.75.

### Private Placement completed

On February 22, 2007, the Company closed the \$412,500 non-brokered private placement announced January 25, 2007 following TSX Venture Exchange acceptance on February 21, 2007, Submission No. 122223. Issuance of 2,750,000 shares will result in fully diluted share capital of 18,953,611. Non transferable warrants to purchase 2,750,000 common shares at 25 cents will expire February 22, 2008. The shares, and any shares from exercise of warrants may not be traded until June 25, 2007. Funds were mainly used to pay DHK Diamonds Inc. for \$381,000 being 50% of the Feb 7, 2007 contribution to the WO JV Diamond Project at Lac de Gras NWT.

### Share Option Plan

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. As at January 31, 2007 there were 450,000 (January 31, 2006 – 850,000) options outstanding.

Summary of the Company's options at January 31, 2007:

<b>Date</b>	<b>Number granted</b>	<b>Exercised</b>	<b>Expired or Cancelled</b>	<b>Number outstanding January 31, 2007</b>	<b>Price per share</b>	<b>Expiry date</b>
October 27, 2005	450,000	Nil	Nil	450,000	\$0.50	October 27, 2010

### Liquidity

The financial statements for the period ended January 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 January 31, 2007, Kettle River had working capital deficit of \$157,761 compared to working capital of \$273,146 at April 30, 2006.

### 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, 2006 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 8 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 January 31, 2007, there is a receivable from New Nadina Explorations Limited for \$13,128. Advances from directors and shareholders are unsecured and bear no interest. As at January 31, 2007, \$5,278 is owed to directors.

### **Changes in Accounting Policies**

The financial statements for the period ended January 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).

