

**Kettle River Resources Ltd.** File #82-666  
Rule 12g3-2(b) TSX:KRR

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December 22, 2009



10015010

Office of International Finance  
Attention: Listing Dept.  
Securities & Exchange Commission  
450 - 5th St. NW  
Washington, DC 20549  
USA

Phone: 202 272 3246 Fax: 202 272 2677  
File #82-666 Rule 12g3-2(b)

Dear Sir or Madam;

Enclosed please find <sup>one</sup> ~~two sets~~ of the following information:

1. Interim Report:  
Six month Report ended October 31, 2009, filed December 21, 2009:  
Financial Statement and Interim Management Discussion and Analysis

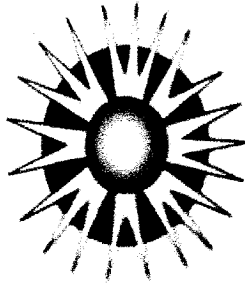
Yours truly,  
**KETTLE RIVER RESOURCES LTD.**

*for Aeline Astis*  
Ellen Clements,  
President and Director  
Encl.

**SUPPL**

RECEIVED  
2009 JAN - 14 A 4:26  
OFFICE OF INTERNATIONAL FINANCE

*Ellen 1/4*



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SECURITIES DIVISION  
2010 JAN 4 10:02 AM

# Kettle River Resources Ltd.

(An Exploration Stage Company)

## **INTERIM FINANCIAL STATEMENTS**

**2<sup>nd</sup> quarter  
October 31, 2009**

**(Unaudited – Prepared by Management)**

### **Note to Reader**

These interim financial statements for the six months ended October 31, 2009 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

	October 31, 2009	April 30, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 6,643
Accrued interest and other amounts receivable	885	105
Marketable securities (Note 3)	106,955	231,736
Prepaid expenses	4,007	4,445
Due from related parties (Note 7)	9,247	8,146
	<u>121,094</u>	<u>251,075</u>
<b>Reclamation Bond</b>	<b>5,000</b>	<b>5,000</b>
<b>Property, Plant and Equipment (Note 4)</b>	<b>59,604</b>	<b>60,891</b>
<b>Mineral Properties (Note 5)</b>	<b>3</b>	<b>3</b>
Cash and cash equivalents	\$ 185,701	\$ 316,969
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Cheques written in excess of funds on hand	3,655	-
Accounts payable and accrued liabilities	42,998	23,173
	<u>46,653</u>	<u>23,173</u>
<b>Loan Payable (Note 7)</b>	<b>90,000</b>	<b>25,000</b>
	<u>136,653</u>	<u>48,173</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Deficit accumulated in the exploration stage</b>		
– Statement 2 (Statement of Loss)	(13,907,723)	(13,812,755)
<b>Accumulated Other Comprehensive Income</b>	<b>32,858</b>	<b>157,638</b>
	<u>(13,874,865)</u>	<u>(13,665,117)</u>
<b>Share capital (Note 6)</b>	<b>13,067,642</b>	<b>13,067,642</b>
<b>Contributed Surplus (Note 6 f)</b>	<b>856,271</b>	<b>856,271</b>
	<u>49,048</u>	<u>268,796</u>
	\$ 185,701	\$ 316,969

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.**

(An Exploration Stage Company)

**Interim Statement of Loss, Comprehensive Loss and Deficit**

Canadian Funds

Unaudited – Prepared by Management

	For Three months ended October 31,		For Six months ended October 31,	
	2009	2008	2009	2008
<b>MINERAL EXPLORATION ACTIVITIES</b>				
Exploration costs	\$ 11,180	\$ 65,624	\$ 15,632	\$ 628,382
Less: Government Assistance	-	-	-	-
	<u>11,180</u>	<u>65,624</u>	<u>15,632</u>	<u>628,382</u>
<b>ADMINISTRATIVE COSTS</b>				
Accounting, audit & legal	9,461	4,834	19,568	14,164
Advertising, promotion & printing	4,729	9,842	5,129	14,678
Amortization	72	90	144	180
Financial consulting	-	-	-	1,250
Licenses, insurance, and transfer agent fees	7,862	8,844	12,019	12,078
Management, salary & wages (net of recoveries)	15,408	18,575	31,828	23,730
Office & sundry	1,705	2,073	3,207	3,335
Office building expenses	1,562	1,660	3,001	3,728
Stock compensation expense	-	13,328	-	30,464
Telephone	715	573	1,314	1,080
Travel and accommodation	2,870	4,222	3,153	10,188
	<u>44,384</u>	<u>64,041</u>	<u>79,363</u>	<u>114,875</u>
<b>OTHER EXPENSES (INCOME)</b>				
Interest and US Exchange adjustment	(2)	(327)	(28)	(4,785)
<b>GAIN (LOSS) FOR THE PERIOD</b>	<b>(55,562)</b>	<b>(129,330)</b>	<b>(94,967)</b>	<b>(738,472)</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>\$ 13,852,161</b>	<b>\$ 13,644,391</b>	<b>\$ 13,812,756</b>	<b>\$ 13,035,257</b>
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 13,907,723</b>	<b>\$ 13,773,729</b>	<b>\$ 13,907,723</b>	<b>\$ 13,773,729</b>
<b>Gain (Loss) per share, basic and diluted</b>	<b>(\$0.00)</b>	<b>(\$0.01)</b>	<b>(\$0.00)</b>	<b>(\$0.03)</b>
<b>Weighted average number of Shares outstanding</b>	<b>27,716,711</b>	<b>27,716,711</b>	<b>27,716,711</b>	<b>27,716,711</b>
<b>OTHER COMPREHENSIVE LOSS</b>				
Net Loss for the Period	(55,562)	(129,338)	(94,967)	(738,472)
Unrealized Gain (Loss) on Available-for-sale Marketable Securities ( Note 3 )	(44,565)	(44,565)	(124,781)	(17,826)
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(100,127)</b>	<b>(173,903)</b>	<b>(219,748)</b>	<b>(756,298)</b>
<b>Comprehensive Loss per share, basic and diluted</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of Shares outstanding</b>	<b>27,716,711</b>	<b>27,716,711</b>	<b>27,716,711</b>	<b>27,716,711</b>

See accompanying notes to financial statements.

**KETTLE RIVER RESOURCES LTD.**

*(An Exploration Stage Company)*

**Interim Statement of Cash Flows**

*Canadian Funds*

*Unaudited – Prepared by Management*

	For Three months ended October 31,		For Six months ended October 31,	
	2009	2008	2009	2008
<b>Cash Flows from Operating Activities</b>				
Gain (Loss) for the period	\$ (55,562)	\$ (129,338)	\$ (94,967)	\$ (738,472)
Add: Items not involving cash				
Amortization	644	713	1,287	1,426
Stock compensation	-	13,328	-	30,464
	<b>(54,918)</b>	<b>(115,297)</b>	<b>(93,680)</b>	<b>(706,582)</b>
Changes in non-cash working capital items:				
Decrease (increase) in prepaid amounts	(343)	(450)	438	326
Decrease (increase) in accounts receivable	(845)	9,350	(780)	(2,124)
Increase (decrease) in amounts due to director(s)	-	1,029	-	(1,730)
	<b>11,543</b>	<b>(11,825)</b>	<b>19,825</b>	<b>(11,566)</b>
	<b>(44,563)</b>	<b>(117,193)</b>	<b>(74,197)</b>	<b>(721,676)</b>
<b>Cash Flows from Financing Activities</b>				
Increase (decrease) in loan payable	40,000	-	65,000	-
Decrease (increase) in amounts due from related parties	(4,060)	-	(1,101)	-
	<b>35,940</b>	<b>-</b>	<b>63,899</b>	<b>-</b>
<b>Increase (decrease) in Cash</b>	<b>(8,623)</b>	<b>(117,193)</b>	<b>(10,298)</b>	<b>(721,676)</b>
<b>Cash, and cash equivalents, beginning of period</b>	<b>4,968</b>	<b>125,196</b>	<b>6,643</b>	<b>729,679</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ (3,655)</b>	<b>8,003</b>	<b>\$ (3,655)</b>	<b>\$ 8,003</b>
<b>Supplementary Schedule</b>				
Amortization of capital assets to mineral properties	\$ 571	623	\$ 1,143	\$ 1,426
Non-monetary transactions				
Stock compensation	\$ -	13,328	\$ -	\$ 30,464

See accompanying notes to financial statements.

**KETTLE RIVER RESOURCES LTD.***(An Exploration Stage Company)***NOTES TO INTERIM FINANCIAL STATEMENTS**

for the six months ended October 31, 2009 and 2008

*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 \$74,441 as at October 31, 2009 and has accumulated losses of \$13,907,723. 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 \$13,067,642 averaging \$0.47 per share. The share price at October 31, 2009 was \$0.04 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, 2009.

*International Financial Reporting Standards ("IFRS")*

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended April 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**3. MARKETABLE SECURITIES**

	October 31, 2009	April 30, 2009
Securities of New Nadina Explorations Limited		
Opening balance – reclassified from investment	\$ 231,736	\$ 329,777
Unrealized gain (loss)	(124,781)	(98,041)
Closing balance – lowest recorded market price	<u>\$ 106,955</u>	<u>\$ 231,736</u>

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 October 31, 2009, owned 1,782,582 New Nadina common shares. The quoted market value of the common shares was \$0.06 on October 31, 2009.

**4. PROPERTY, PLANT AND EQUIPMENT**

	Amortization Rate	Cost	Accumulated Amortization	October 31, 2009	April 30, 2009
				Net Book Value	Net Book Value
Land		\$ 10,000	\$ -	\$ 10,000	\$ 10,000
Paving	8%	4,861	3,110	1,751	1,824
Buildings	4%-5%	86,401	40,613	45,788	46,723
Mining equipment	30%	117,557	116,792	765	899
Office equipment	20%	53,972	52,673	1,299	1,444
Trailer	30%	8,890	8,889	1	1
		<u>\$ 281,681</u>	<u>\$ 222,077</u>	<u>\$ 59,604</u>	<u>\$ 60,891</u>

**KETTLE RIVER RESOURCES LTD.**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the six months ended October 31, 2009 and 2008  
*Canadian Funds*  
*Unaudited – Prepared by Management*

**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.

Exploration Expenditures by Property For the period ended October 31, 2009	Greenwood Area	DHK NWT	Silica Quarry 50%	Total
Amortization	\$ 1,142	\$ -	\$ -	\$ 1,142
Assaying	-	-	-	-
Assessment, filing fees, membership	-	-	-	-
Direct charges – wages	3,300	450	100	3,850
Exploration costs 1)	950	6,782	-	7,732
Field Supplies	-	-	-	-
Property costs & acquisition	-	-	-	-
Storage (samples & equipment)	1,114	-	-	1,114
Property and Mineral taxes	1,520	-	-	1,520
Travel & accommodation	-	274	-	274
<b>Subtotal:</b>	<b>\$ 8,026</b>	<b>\$ 7,506</b>	<b>\$ 100</b>	<b>\$ 15,632</b>
<b>Less: Recovered Property Costs</b>	<b>( - )</b>	<b>-</b>	<b>-</b>	<b>( - )</b>
<b>TOTAL:</b>	<b>\$ 8,026</b>	<b>\$ 7,506</b>	<b>\$ 100</b>	<b>\$ 15,632</b>

Exploration Expenditures by Property For the period ended October 31, 2008	Greenwood Area	DHK NWT	Silica Quarry 50%	Total
Amortization	\$ 1,246	\$ -	\$ -	\$ 1,246
Assaying	31,190	-	-	31,190
Assessment, filing fees, membership	11,310	-	-	11,310
Direct charges – wages	19,185	390	100	19,675
Exploration costs 1)	529,392	7,695	-	537,087
Field Supplies	278	-	-	278
Property costs & acquisition	809	-	-	809
Storage (samples & equipment)	30,077	-	-	30,077
Property and Mineral taxes	1,517	-	-	1,517
Travel & accommodation	910	109	-	1,019
<b>Subtotal:</b>	<b>\$ 625,914</b>	<b>\$ 8,194</b>	<b>\$ 100</b>	<b>\$ 634,208</b>
<b>Less: Recovered Property Costs</b>	<b>(5,826)</b>	<b>-</b>	<b>-</b>	<b>(5,826)</b>
<b>Total:</b>	<b>\$ 620,088</b>	<b>\$ 8,194</b>	<b>\$ 100</b>	<b>\$ 628,382</b>

- 1) Exploration costs include equipment costs; freight/delivery expense; geology/geophysics/geochemical expenses; physical work, sampling, reclamation costs 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 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.

**KETTLE RIVER RESOURCES LTD.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS (continued)**  
**for the six months ended October 31, 2009 and 2008**  
*Canadian Funds*  
*Unaudited – Prepared by Management*

**5. MINERAL PROPERTIES, continued**

**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.

**WO Joint Venture**

DHK has a 10.52% contributing interest in the WO Joint Venture operated by Peregrine Diamonds Ltd. (“Peregrine”).

**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) has earned a 51% interest by drilling selected targets identified through the Falcon gravity gradiometer surveys. Peregrine 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. Peregrine Diamonds gave notice to elect on March 31, 2009, as per the March 2007 agreement, has earned a 51% interest in the property.

**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 (7,747 hectares – 46,960 acres) explored for diamond potential, owned (57.49%) and operated by New Nadina Explorations Limited. During 2008, four new kimberlites were discovered. Including the Bling, Trio, Gemini and Sparky kimberlites there are now twelve known pipes on the Monument property.

**c) 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.

	Balance October 31, 2009	Balance April 30, 2009
<b>Acquisition Costs</b>		
Greenwood Area	1	1
Arcadia (Skylark) – Greenwood Area	1	1
DHK Diamonds Inc. – NWT	1	1
Silica Quarry - Saskatchewan	Nil	Nil
<b>Total Mineral Properties Deferred</b>	<b>\$ 3</b>	<b>\$ 3</b>

**6. SHARE CAPITAL**

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

b) Issued and fully paid:

	2009	
	Number of Shares	Value
Balance at April 30, 2008	27,716,711	\$ 13,064,442
Finders’ fee reversal	-	3,200
<b>Balance at April 30, 2009 and October 31, 2009</b>	<b>27,716,711</b>	<b>\$ 13,067,642</b>



**KETTLE RIVER RESOURCES LTD.**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**for the six months ended October 31, 2009 and 2008**  
*Canadian Funds*  
*Unaudited – Prepared by Management*

**6. SHARE CAPITAL - continued**

**c) Warrants:**

	Number	Price/share	Value	Expiry
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
<b>Balance April 30, 2009 and July 31, 2009</b>	<b>1,983,750</b>		<b>740,812</b>	
Expired September 24, 2009	(758,000)	\$0.35	(265,300)	
Expired October 5, 2009	(295,750)	\$0.35	(103,512)	
<b>Balance October 31, 2009</b>	<b>930,000</b>		<b>372,000</b>	

**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.

As at October 31, 2009, there were 1,000,000 (October 31, 2008 - 1,000,000) options outstanding, with 1,000,000 vested (October 31, 2009 - 1,000,000 vested).

Summary of the Company's options at October 31, 2009:

Date	Number granted	Exercised	Expired/Cancelled	Number outstanding October 31, 2009 and October 31, 2008	Price per share	Expiry date
October 27, 2005	450,000	Nil	100,000	350,000	\$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>	<b>Balance</b>	

**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	-

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. This amount was recorded in the Company accounts as stock compensation expenses in prior periods.

**KETTLE RIVER RESOURCES LTD.**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
for the six months ended October 31, 2009 and 2008  
Canadian Funds  
Unaudited – Prepared by Management

**6. SHARE CAPITAL, - continued**

**f) Contributed Surplus**

Details are as follows:

	2009	2008
Balance – Beginning of year	856,271	825,807
Fair value of stock-based compensation (Note 6e)	-	30,464
Balance – End of period	856,271	856,271

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

	May 24, 2007	June 13, 2007	July 20, 2007	Sept 24, 2007	Oct 10, 2007	Nov 13, 2007
Stock Price	\$ 0.20	\$0.20	\$ 0.17	\$ 0.195	\$ 0.325	\$ 0.245
Exercise Price	\$ 0.30	\$0.20	\$ 0.30	\$ 0.35	\$ 0.35	\$ 0.40
Expected life of warrants in years	1.00	1.00	1.00	2.00	2.00	2.00
Risk free interest rate	4.08 %	4.75 %	4.08 %	4.08 %	4.08 %	4.08 %
Expected dividend yield	0.00%	0.00	0.00%	0.00%	0.00%	0.00%
Expected Stock volatility	110%	110%	110%	94.54%	83.09%	102.21%
Number of warrants granted	2,800,100	175,000	2,433,000	758,000	295,750	930,000

**7. RELATED PARTY TRANSACTIONS**

As at October 31, 2009 unsecured advances owing to directors and shareholders and bearing no interest were \$5,548. An amount of \$4,830 was due from New Nadina Explorations Limited for office expense reimbursements and \$4,417 was due from DHK Diamonds Inc. for reimbursement of a Pellatt Lake mining lease payment.

On January 20, 2009, a loan agreement was approved by the TSX Venture Exchange whereby a director would advance up to \$75,000 to be secured by a first mortgage on the Company's property located at 1215 Greenwood Street, Greenwood, BC and bear interest at prime plus 3%. This loan has a term of 3 years. As at October 31, 2009, \$90,000 had been advanced with accrued interest on this amount of \$392.

For the period ended October 31<sup>st</sup> the Company incurred the following expenses with related parties:

	2009	2008
To directors for telephone and office to offset expenses incurred in conducting company affairs	\$ 3,600	\$ 3,727
To a director, who is the president, for management salary and assists with certain exploration related tasks	36,000	36,000
To a director, who is the president, for storage facilities (exploration equipment and samples).	950	3,250
To directors who are not employees, for administration.	630	18,900
To a director for interest accrued on a secured loan to the Company	1,457	
<b>Total</b>	<b>\$ 42,637</b>	<b>\$ 61,877</b>

During the period \$22,895 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:**

As a policy, the Company records tax refunds related to B.C. Mining Exploration Expenditures only upon acknowledgement and receipt from the Revenue Canada Agency.

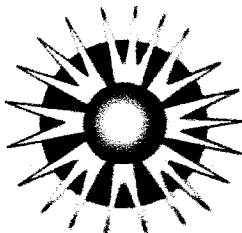
**DIRECTORS AND POSITIONS:**

Ellen Clements, President and CEO \*  
Gerald Rayner, Geol., P.Eng. \*

Larry Widmer, BComm, Corporate Secretary and CFO,  
Stephen Levano, BA, MBA \*

\* Members of the Audit Committee

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# Kettle River Resources Ltd.

(An Exploration Stage Company)

**Six months to October 31, 2009**

**Management Discussion & Analysis**

**December 21, 2009**

## **Note to Reader**

The interim financial statements for the six months ended October 31, 2009 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, 2009

**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 has a year end of April 30<sup>th</sup>, 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.

**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, 2009**

	Greenwood Area	DHK - NWT	Silica Quarry 50%	Total
Amortization	\$ 1,142	\$ -	\$ -	\$ 1,142
Assaying	-	-	-	-
Assessment, filing fees, membership	-	-	-	-
Direct charges – wages	3,300	450	100	3,850
Exploration costs	950	6,782	-	7,732
Field supplies	-	-	-	-
Property costs & acquisition	-	-	-	-
Storage (samples & equipment)	1,114	-	-	1,114
Property and Mineral taxes	1,520	-	-	1,520
Travel & accommodation	-	274	-	274
Sub-total:	\$ 8,026	\$ 7,506	\$ 100	\$ 15,632
Less: Recovered property costs	(\$ -)	-	-	(\$ -)
<b>TOTAL:</b>	<b>\$ 8,026</b>	<b>\$ 7,506</b>	<b>\$ 100</b>	<b>\$ 15,632</b>

During the six month period ended October 31, 2009 a total of \$15,632 (2008 - \$634,208) 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 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. Diamonds were found in most kimberlites tested. Only in the area of the Tli Kwi Cho (WO Block) did the diamond content indicate mine potential where 1994 bulk sampling was conducted with disappointing results. KCEI returned the property to DHK in 2000 retaining a 1% Gross Overriding Royalty (GORR). DHK entered into various agreements of varying interest, with Archon Minerals Ltd., BHP Billiton Diamonds Inc. and currently Peregrine Diamonds Ltd. The WI and DHK Claim Blocks were abandoned.

The Company has increased its shareholdings in DHK Diamonds Inc. to 43.37% from 42.5% mainly due to contributing 50% of funds to meet the DHK portion of the WO JV cash calls.

The Company reports contributions to budgets as exploration costs. During the period ended October 31, 2009 costs of \$7,506 (2008 - \$8,194) were incurred: Exploration costs of \$6,782 (2008 - \$7,695) and \$450 (2008 - \$390) for management and related expenses, and \$274 (2008 - \$109) for administrative travel costs.

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

DHK Diamonds Inc. currently has a contributing 10.52% interest in the WO diamond project. Located 300 kilometers north-northeast of Yellowknife, the WO property hosts the diamondiferous DO27 and DO18 diamond deposits.

Peregrine Diamonds Ltd. ("Peregrine") operator of the Joint Venture undertook a bulk sample of the DO27 during 2005, 2006 and 2007 to test the economics and feasibility of the DO27 kimberlite at a cost of approximately \$60 million. The average modeled 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, were 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.

During 2008 and 2009, Peregrine cash calls where DHK elected not to contribute have resulted in dilution in the Joint Venture from 10.77%, then 10.64%, to currently hold 10.52%.

In 2008, Peregrine provided a Canadian NI-43-101-compliant indicated mineral resource of 18.2 million carats in 19.5 million tonnes of kimberlite for the nine hectare DO-27 kimberlite. The estimated grade of the indicated resource is 94 carats per hundred tonnes ("cphT"). This resource estimate was prepared by AMEC Americas Ltd. ("AMEC"), an internationally recognized engineering firm with extensive experience in evaluating advanced diamond projects. An additional 6.5-8.5 million tonnes of kimberlite below the indicated resource was classified as a potential mineral deposit and DO-27 remains open at depth. DO-27 is situated on the 15,000 hectare WO property in the Northwest Territories, Canada, approximately 27 km southeast of the Diavik™ Diamond Mine and 11 km east of the Tibbitt to Contwoyto Ice Road used to supply the two diamond mines in the area.

Ownership interests in the WO property taken from the operator's Aug 2009 dilution notice is: Peregrine 71.95%, Archon Minerals Limited 17.53% and DHK Diamonds Inc. 10.52%. Peregrine holds 97.92% of the diamond marketing rights. The property is subject to a 1.8% Gross Overriding Royalty (1% Kennecott, 0.55% Aber and 0.25% SouthernEra).

Peregrine has concluded the DO27 project is currently not economically justifiable but does not discount the chance it could support a mining operation in the future. They report that factors that could enhance the economics of a mining operation include:

- Higher rough diamond prices
- Possible underestimation of the average DO27 diamond value because the current estimate is based on a parcel of only 2,075 carats.
- Favorable Canadian-US currency exchange rates.
- A diamond processing arrangement with one of the nearby diamond mines.
- Increased revenue potential from downstream cutting and polishing of DO27 diamonds.
- Mining and processing technology advances.
- Regional infrastructure developments.
- An ultimate run of mine grade greater than the current grade estimated by RC drill samples.



**Pellatt Lake Property (Nunavut):**

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. The Pellatt Lake claims are located approximately 360 km northeast of Yellowknife on NTS Map Sheet 76C/13 and about 40 km northeast of the Ekati Mine. In 2000, DHK acquired the Pellatt Lake property, which contained a diamondiferous dyke like kimberlite, from Kennecott Canada Explorations Inc, (KCEI). KCEI retains a gross overriding royalty of 1% on these claims. DHK took PC9, PC10 and PC13 to lease where annual lease fees are paid. Peregrine Diamonds gave notice to elect on March 31, 2009, as per the March 2007 agreement, has earned a 51% interest in the property.

**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 (7,747 hectares – 46,960 acres), majority owned (57.49%) and operated by New Nadina Explorations Limited (New Nadina). The Monument property contains 12 known diamond bearing kimberlites plus one dike. Recent drilling has found several new kimberlites including Genie, Bling and most recently the Trio, Gemini and Sparky kimberlites. The most recent discoveries were made when drilling land based targets. Based on forthcoming caustic fusion results, plans for taking larger samples will be made as well as drill testing water-based targets during a winter program. Results will be posted on the nadina.com website. 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 41 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 period \$100 (2008 - \$100) was expended on research. The operator allowed the previous lease to expire Nov 30, 2009 and re-staked the ground to more adequately cover the showing.

**GREENWOOD MINING DIVISION – SOUTHERN BRITISH COLUMBIA – 100%**

**Greenwood Area Expenditure breakdown by property for the period ended October 31, 2009**

	2009							Greenwood Area
	Exploration Program	Phoenix	Rads	Bluebell	Tailings	Niagra	Tam O'Shanter	TOTAL
Amortization	\$ -	\$ 286	\$ -	\$ 285	\$ -	\$ -	\$ 571	\$ 1,142
Assaying	-	-	-	-	-	-	-	-
Assessment/Recording	-	-	-	-	-	-	-	-
Direct charges – wages	-	1,100	50	1,100	1,050	-	-	3,300
Exploration costs	-	925	-	-	-	-	25	950
Field supplies	-	-	-	-	-	-	-	-
Property costs & acquisition	-	-	-	-	-	-	-	-
Storage (samples & equipment)	-	582	-	493	-	-	39	1,114
Property & Mineral taxes	-	1,171	-	349	-	-	-	1,520
Travel & accommodation	-	-	-	-	-	-	-	-
<b>Sub-total:</b>	<b>\$ -</b>	<b>\$ 4,064</b>	<b>\$ 50</b>	<b>\$ 2,227</b>	<b>\$ 1,050</b>	<b>\$ -</b>	<b>\$ 635</b>	<b>\$ 8,026</b>
<b>Less: Recovered Property costs</b>	<b>-</b>	<b>( - )</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( - )</b>
<b>TOTAL:</b>	<b>\$ -</b>	<b>\$ 4,064</b>	<b>\$ 50</b>	<b>\$ 2,227</b>	<b>\$ 1,050</b>	<b>\$ -</b>	<b>\$ 635</b>	<b>\$ 8,026</b>

During the spring and summer of 2008, the company completed a program of excavator trenching and diamond drilling (14 holes, 2551 meters) on its wholly owned Greenwood area properties. Limited prospecting, soil and rock sampling was also completed. The 2008 work program was primarily directed at 3 known areas of mineralization, the Minnie Moore showing on the Bluebell property, and the Battle and Stemwinder Zones on the Phoenix property.



### **Minnie Moore Property**

Exploration during 2007-2008 discovered the Minnie Moore epithermal silver-gold showing using prospecting, soil geochemical, ground magnetometer survey followed by trenching and diamond drilling. The vein was exposed on surface in two trenches. Where exposed it is a well-defined breccia vein, with a true width ranging up to 8.5 meters and with faulted contacts. The vein is comprised of intensely silicified limestone and siltstone that is cut and cemented by vuggy quartz and quartz-carbonate veinlets and breccia matrix. Sulfide content is low, only locally exceeding 5%, and consisting of pyrite, with lesser chalcopyrite, sphalerite, galena, tetrahedrite, and ruby silver.

Diamond drilling indicates that the trenched zone is cut-off (offset) by a 50 meter thick post-mineral sill at a shallow depth below surface. Several zones of silicification and quartz-carbonate veining were intersected in the drilling, at depth beneath the sill, however analytical results failed to return values of similar silver and gold tenor to those from trenching.

Channel sample results of the vein as exposed in the main pit:

- Line 1 8.5m assaying 414 g/t Ag and 0.88 g/t Au
- Line 1a 7.4m assaying 764 g/t Ag and 0.93 g/t Au
- Line 2 5.8m assaying 432 g/t Ag and 0.55 g/t Au
- Line 3 6.2m assaying 1,044 g/t Ag and 2.71 g/t Au

Drilling at the Minnie Moore confirmed the structural complexity of the area and added at least three separate post-mineral fault sets, often with accompanying post-mineral dykes and sills, are known to occur. Linda Caron, M.Sc., P.Eng. is the Qualified Person under NI 43-101 who supervised the work program recommends that additional drilling is needed to determine the strike, dip and true width of the mineralization described above. Photos and diagrams of the workings, pit and assay results can be viewed at [www.kettleriver.com](http://www.kettleriver.com) in the News Release section. The result compilation is dated July 18, 2008 and the Trench Image and assays are dated Feb 19, 2008. Coverage of exploration and diamond drilling conducted during 2008 includes the properties listed below and is reported in the 2008 MD&A dated August 27, 2008 which may be viewed on the Company's file on [www.Sedar.com](http://www.Sedar.com).

### **Battle Zone:**

Seven holes were drilled in 2008, (refer NR Sept. 10, 2008), to test an area of auriferous pyrite-quartz stockwork veinlets and multiple northwest-trending and shallow northeast dipping shear zones. Drilling was from 3 set-ups, over a 420 meter northeast-southwest section across the zone of mineralization. Holes KRR 08-11 and 08-12 reported below were the southernmost holes along this section.

Hole KRR 08-11 was drilled on an azimuth of 210° and a dip of -70°. The hole intersected 6.8 meters of highly oxidized, nearly flat-lying shear zone, 30 meters vertically below surface and 60 meters northeast of the surface exposure (the old prospect shaft, where select grab samples returned results to 185 g/t Au). Results were low from drilling through this shear zone in hole 08-11, to a maximum of 1.39 g/t Au, 5.0 g/t Ag and 1256 ppm Cu over 2.8 meters.

Several other mineralized shear zones and quartz or massive sulfide veins were intersected in hole KRR 08-11, which returned elevated gold or silver values. The best result was a 1.56 meter sample of pyritic sharpstone conglomerate, at a depth of 90.7 meters in the drill hole, which returned 80.0 g/t Au and 8.6 g/t Ag. Due to drilling problems, hole 08-11 was terminated in a zone of stockwork quartz veinlets at a depth of 209.98 meters. The final sample in the drill hole, from 207.29 – 209.98 meters, returned 1257.8 g/t Ag. Additional drilling is needed to determine the strike, dip and true width of the mineralization described above.

### **Bank of England:**

The target is a shear zone, down dip from the Bank of England adit exposure. Intersected was a 7.3 meter zone of pyrite (+/- quartz) veining, 20 meters vertically below surface and 45 meters down dip from the surface exposure of the shear zone. An average grade of 3.71 g/t Au, 8.27 g/t Ag and 1801 ppm Cu was returned across the 7.3 meter intercept, including a 0.4 meter interval which returned 14.0 g/t Au, 64 g/t Ag and 496 ppm Cu, and a separate 1.0 meter interval returning 8.8 g/t Au, 7.0 g/t Ag and 2417 ppm Cu.

A number of holes were drilled to test this zone and Linda Caron concluded that further drilling will be required to determine whether the shear zone has pinched out or whether it has been offset by later faulting.

### **Stemwinder Zone:** (Also refer to NR Sept 10, 2008)

Two drill holes targeted a series of sub-parallel northwest trending, moderate to steeply northeast dipping gold-bearing quartz-sulfide veins which were known from historic underground work at the Stemwinder and Brooklyn mines. The Brooklyn and Stemwinder mines are located immediately north of the past-producing Phoenix copper-gold skarn open pit mine. The Brooklyn mine is now partially covered by the Phoenix mine waste dumps, while the Stemwinder mine is completely obscured by the dumps.

Hole KRR 08-13 was drilled on an azimuth of 220° and a dip of -45°. It intersected several quartz-sulfide veins and breccia zones and mineralized fault zones, before intersecting a thick Eocene syenite sill at a depth of 159 meters in the hole. The sill, which occurs



at the top of a thick section of graphitic, tectonically brecciated chert and greenstone, is interpreted as representing the top of the regional post-mineral Snowshoe fault. Hole 08-13 intersected a series of semi-massive pyrite-chalcopyrite +/- quartz veins and breccia veins, within Brooklyn conglomerate and volcanics, in the hangingwall of the Snowshoe fault. The upper two veins intersected by drilling were massive pyrite-chalcopyrite veins, which in this hole returned only low gold values. The two deeper veins returned better gold values, to a maximum of 13.8 g/t Au, 39.4 g/t Ag and 5.26 % Cu over 1.0 meters from one zone.

Hole KRR 08-14 was a steeper hole, drilled at -60°, from the same set-up and on the same azimuth as hole 08-13. It was designed to test the veins intersected by hole 08-13 at a deeper level, to provide information regarding the dip of these veins, and to establish the elevation and dip of the Snowshoe fault. One mineralized zone was intersected in the hangingwall of the fault in this hole. This zone is interpreted as corresponding to the down dip projection of the upper 2 veins in hole 08-13. The hole 08-14 intercept returned 6.85 g/t Au, 13.3 g/t Ag and 8130 ppm Cu over 2.85 meters. The two lower veins intersected in hole 08-13 have been taken out by the underlying Snowshoe fault zone and were not intersected by drill hole 08-14.

Linda Caron recommended that additional drilling is needed to determine the strike, dip and true width of the mineralization described above.

#### **Phoenix Mine Area:**

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 \$4,064 was expended (2008 - \$14,562). Recording of work programs and generation of reports with wage costs of \$1,100 (2008 - \$210).

#### **Phoenix Tailings property:**

This property contains approximately five million tons of tailings produced from the Granby Phoenix operations during the late 1950's and early 1960's and cover approximately 50 acres of the 336 acre land package known as the Tremblay Farm. The site was reclaimed by Noranda to satisfy mining and environmental ministries in 1979. Reclamation included soil placement on tailings surface with hardy alfalfa/grass planted and a spillway channel constructed to accommodate runoff. Tests confirm there is no deleterious content in the tailings and an agreement is held with downstream property owners absolving liability in the event of a spill. The Company continues to monitor this property and explore the economic potential. Costs of \$1,050 (2008 - \$500) during the period are attributed to the Phoenix Tailings property.

#### **Haas Creek Talc:**

No costs were incurred during period.

#### **Bluebell-Summit Property:**

The property is mainly comprised of 20 Crown Grants where under surface title is held. Limited exploration was conducted and costs of \$2,227 (2008 - \$9,125) relate core and sample storage, mineral property taxes and wage costs.

#### **Tam O'Shanter:**

The property consists of 46 units (3 located claims) and 7 Reverted Crown Grants located to the west of Greenwood. Prospecting and a review of compiled data led to further exploration in the area of the Wild Rose vein. Drilling and trenching took place in early 2004 consisting of 1,400 meters and intersected the Wild Rose Zone in seven of the eight drill holes. The last and deepest hole of the program encountered gold values at a vertical depth of 150m appears to be an extension of a zone at depth encountered in 1992 and 1995. The 80 meter distance between intercepts (previous gold values of 0.58 opt over 1.1m, 0.21 opt over 3m with recent values of 0.3 opt over 1m) represents a significant discovery as this type of apparent continuity of width and grade has not been observed previously. Further drilling is recommended in the Tam O'Shanter report. J.M. Hutter, P. Geo. was the qualified person as defined in NI 43-101 on the project. Tam O'Shanter property costs of \$635 (2008 - \$11,945) relate to amortization expense.

#### **Rads and Shickshock/Sailor Boy Property:**

The property consists of 2 Reverted Crown Grants and 8 located claims for a total of 10 units. During the period no fieldwork was conducted. Costs of \$50 (2008 - \$ Nil) were incurred in the current year.

#### **Niagara Property:**

The property consists of 23 units within 4 claims. Costs of \$ Nil (2008 - \$253) relate to the Niagara Property.

#### **Arcadia (Skylark) Property:**

The property consists of 12 reverted Crown Grants. During the period no costs (2008 - \$ Nil) were incurred.

#### **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, 2008 and April 30, 2009 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 ("GAAP") 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
2 <sup>nd</sup> Quarter 2010	(55,562)	(0.00)	185,701	136,653
1 <sup>st</sup> Quarter 2010	(39,405)	(0.00)	230,629	81,455
4 <sup>th</sup> Quarter 2009	3,070	(0.00)	316,969	48,173
3 <sup>rd</sup> Quarter 2009	(45,302)	(0.01)	278,533	48,459
2 <sup>nd</sup> Quarter 2009	(126,132)	(0.01)	407,582	22,745
1 <sup>st</sup> Quarter 2009	(609,134)	(0.02)	578,953	33,541
4 <sup>th</sup> Quarter 2008	49,658	0.01	1,146,712	36,041
3 <sup>rd</sup> Quarter 2008	(462,492)	(0.02)	960,512	52,390

#### 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, 2009.

For the current six months, the Company experienced a net loss of \$94,967 or \$0.00 per share compared to a loss of \$738,472 or \$0.03 per share the previous year.

Operating expenses of \$79,363 for the period, arising from general and administrative costs, (2008 - \$114,875) decreased from the previous year. During the current period, travel & accommodation decreased by \$7,035, stock compensation costs were \$ Nil (2008 - \$30,464), office and sundry expense decreased by \$128, accounting, audit and legal increased by \$5,404, licences, insurance and transfer agent fees decreased by \$59, management, salary & wages increased by \$8,098 while advertising promotion and printing decreased by \$9,549. Financial consulting decreased to \$ Nil (2008 - \$1,250).

Overall property exploration costs decreased to \$15,632 from \$628,382 during the same period in the previous year. This decrease is attributed to lower exploration costs on property in the Greenwood Area which decreased to \$8,026 from \$620,088. 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 \$74,441 as at October 31, 2009 and has accumulated losses of \$13,907,723. Since inception, the Company has been successful in funding its operations and at October 31, 2009 had net issued shares of 27,716,711 for net proceeds of \$13,067,642 averaging \$0.471 per share. Kettle River shares traded at \$0.04 on October 31, 2009. 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.

#### Risks

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, 2009 Financial Statement.

### Liquidity

The financial statements for the period ended October 31, 2009 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, 2009, Kettle River had working capital of \$74,441 compared to working capital of \$227,902 at April 30, 2009.

It is expected that the Company will receive \$189,292 for the fiscal year ended 2009 from the BC Mining Exploration Tax Credit, not included as a receivable on the balance sheet.

### Critical accounting estimates

The Company capitalizes all costs relating to the acquisition, exploration and development of its mineral properties. Should commercial production commence, these cost will be amortized. When a property is abandoned or when there is indication of impairment, all related costs are charged to operations. The Company compares the carrying value of its property, plant and equipment to estimated net recoverable amounts. Should the assets' carrying value exceed their estimated recoverable amount, all amounts related to the impairment are charged to operations.

The Company's financial assets and liabilities are cash and cash equivalents, receivables, reclamation bond, tax credits recoverable and accounts payable and accrued liabilities. The fair values of these financial instruments are estimated to be their carrying values due to their short-term nature. No reported value of fee simple holdings (surface tenure approximately 675 acres) nor any timber value has been recorded on the balance sheet.

CICA Handbook section 3870 Stock-Based Compensation and Other Stock-Based Payments establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock based payments made in exchange for goods and services. Compensation expense is determined using Black-Scholes Option Pricing Model based on estimated fair values of all stock-based awards at the date of grant and is expensed to operations over each award's vesting period.

The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected stock price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

### Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

### 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, 2009 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, 2009, there is a receivable from New Nadina Explorations Limited for \$4,830. Also at October 31, 2009 there is a receivable from DHK Diamonds Inc. of \$4,417 for Pellatt Lake 2008 annual lease fees paid on their behalf. Advances from directors and shareholders are unsecured and bear no interest. As at October 31, 2009, \$5,548 is owed to directors.

*These transactions were recorded at the exchange amount, being the consideration established and agreed to by the related parties and are on terms and conditions similar to non-related entities.*



### **Changes in Accounting Policies**

The financial statements for the period ended October 31, 2009 followed the same accounting policies and methods of application used in the previous period presentation.

### **Investor relations**

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.

### **Outstanding share data**

The Company is authorized to issue 50,000,000 common shares without par value. As at December 21, 2009, there were 27,716,711 outstanding common shares, 930,000 outstanding warrants (comprised of 930,000 exercisable at \$0.40 expiring Nov 16, 2009) and 1,000,000 outstanding options (350,000 exercisable at \$0.25 expiring October 27, 2010 and 650,000 exercisable at \$0.20 expiring April 11, 2012).

### **Disclosure controls and procedures**

As required by Multilateral Instrument 52-109, Management is responsible for the design, establishment and maintenance of disclosure controls and procedures over the public disclosure of financial and non-financial information regarding the Company and internal ability of its financial reporting to provide reasonable assurance regarding the integrity of the Company's financial information and reliability of its financial reporting. Management maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.

The Company's Management, with the participation and under the supervision of its Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have designed the disclosure controls and procedures to provide reasonable assurance that material information relating to the Company, is made known to them on a timely basis; and designed internal control over financial reporting to provide reasonable assurance regarding the reliability of the Company's financial reporting.

An evaluation of the effectiveness of the Company's disclosure controls and procedures was conducted as of January 31, 2009. Based on the results of that evaluation, the Company's CEO and CFO have concluded that as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective in providing reasonable assurance that the material information relating to the Company was made known to them on a timely basis and was processed and disclosed within the appropriate reports and time periods. The Company's Management believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met. Due to inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. Accordingly, because of inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

There has been no change in the Company's internal control over financial reporting during the quarter ended October 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. However, the lack of segregation of duties between the management and Board of Directors consisting of the same parties creates the potential for the possibility of material weakness.

### **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).

