



# **DITEM EXPLORATIONS**

**Second Quarterly Statement**

**For the Period Ending June 30<sup>th</sup> 2005**

## **CORPORATE INFORMATION**

Ditem Explorations Inc.  
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Canada H3B 3A7

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[www.ditem.com](http://www.ditem.com)

### **Directors**

Raymond Savoie, President  
Raymond Davies, Ph. D.  
Richard – Marc Lacasse, Ph. D.\*  
Nick Di Perno  
Régent Watier, CA\*

\*Members of the audit committee

### **Consulting Geologists**

Winfried Brack  
Hendrick Feldhuysen

### **Company Officers**

Bernard Henault, accounting

### **Auditors**

KPMG, Peat Warwick Thorne,

### **Legal Counsel**

Pothier Valiquette, Montreal

### **Registrar and Transfer Agent**

Computershare Trust Company of Canada

## **Corporate Profile**

Ditem Explorations Inc. is a Canadian public company actively engaged in diamond exploration on its properties in the Otish Mountains region and in the Temiscaming area.

The company's main objective is to maximize return to shareholders through exploration success and participation in the development of outstanding acquisition opportunities.

The head office of the company is located at 1155 University St., suite 805, Montreal, Quebec, Canada H3B 3A7. Shares of Ditem Explorations Inc. are traded on the TSX-Vx under the symbol DIT. All public documents and press releases dated after 1997 may be viewed at [www.sedar.com](http://www.sedar.com), or at the company's web site at [www.ditem.com](http://www.ditem.com). For further information, contact the company's representative at [ditem@sympatico.ca](mailto:ditem@sympatico.ca) or at 514-875-9034.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOR THE SECOND QUARTER ENDING JUNE 30<sup>TH</sup> 2005

#### 1. DATE

This Management Discussion and Analysis for the second quarter ending June 30<sup>th</sup> 2005 is as of August 20<sup>th</sup> 2005.

#### 2. NATURE OF ACTIVITIES

Ditem Explorations Inc. (the “company”) is a diamond exploration company listed on the TSX Venture Exchange. The company was first listed on a public exchange on August 24<sup>th</sup> 1995 and has about 8.9 M shares outstanding. The company’s properties are situated in the Otish Mountains region of north-central Quebec and near the town of Temiscaming. Other properties and projects Quebec and Canada are currently being studied as part of the company’s on-going activities.

#### 3. EXPLORATION ACTIVITIES

A summary of Ditem properties, with a brief highlight of on-going activities, are presented in the following table. A full description of the properties and complete programs can be viewed in the company’s Annual Report 2004 at [www.sedar.com](http://www.sedar.com) or at the company’s web site at [www.ditem.com](http://www.ditem.com)

PROPERTY	SIZE AND INTEREST HELD	PROGRAM	NOTES
<b>Beaver Lake</b>	168 staked claims 26.7 km <sup>2</sup> , 90% DITEM	Option Agreement granted to Strateco for uranium exploration	Review by Strateco on-going
<b>Beaver Lake South</b>	189 staked claims 30.24 km <sup>2</sup> , 90% DITEM	Drilling program on a target in 2004. No kimberlite found	Review of data, new report in preparation
<b>Tichegami</b>	391 claim cells 205,3 km <sup>2</sup> 90% DITEM	MMI & Till sampling, ground ;geophysics & drilling; continued target evaluation and drilling	5 Kimberlite discoveries in H cluster on north-eastern sector 2 diamondiferous (H2 & H3)
<b>Matoush</b>	25 claim cells 13.3 km <sup>2</sup> , 100% DITEM	Option Agreement granted to Strateco for uranium exploration	Review by Strateco on-going
<b>Eastmain River</b>	90 claim cells 48 km <sup>2</sup> ,100% DITEM	Till sampling, ground geophysics & drilling; Target Definition & Control	Cross cutting diabase dyke swarms ; 35 priority kimberlitic targets
<b>Temiscaming</b>	30 staked claims 4,8 km <sup>2</sup> ,100% DITEM	No further work planned at this time	Peridotite ring complex with Phlogopite. Discovery of 32 diamonds. Not economic

The company did not undertake field exploration activities during the second quarter. However, the company has been active with property review, financing the Southampton Project and the study of new projects and new opportunities for the company.

### **Option Agreement with Strateco**

On May 2<sup>nd</sup> 2005, Ditem signed a letter of agreement with Strateco Resources (RSC, TSX-V) granting to Strateco the option to acquire a 51% interest in the Matoush and Beaver Lake Properties. Strateco plans to undertake an exploration program for uranium on both properties. The conditions of the option agreement are described in a Press Release dated May 2<sup>nd</sup> 2005. Strateco must complete a due diligence within 45 days of the date of the letter of agreement.

Essentially, the agreement allows Strateco to acquire a 51% interest in the Matoush and Beaver Lake projects by making cash payments totalling \$125,000 over two years; by completing \$750,000 in exploration over three years, including \$200,000 the first year and by issuing 600,000 common shares of Strateco over two years.

### **The Southampton Project**

Although the company made considerable efforts in time and money to obtain financing for the Southampton project, market interest in diamond exploration has diminished considerably for a variety of factors, notably, the absence of viable discoveries for 2004 and the first half of 2005. As things now stand, the agreement with De Beers is no longer in force.

The company is still searching for solutions for funding and is hopeful that the market will realise the potential of this property. It is to be hoped that upon undertaking a financing, the company will initiate discussions with De Beers in order to renew its agreements on Southampton. To date, De Beers has been patient and has shown considerable flexibility and understanding.

### **Financing**

The company is presently attempting to complete a private placement financing for administration and compliance.

As stated, Ditem must also complete a major flow-through financing for the Southampton Project. The company had planned to undertake this financing during the summer months. Plans for this financing have been postponed till later this fall.

## **4. LIQUIDITY AND CAPITAL RESOURCES**

As of June 30<sup>th</sup> 2005, the company has a working capital of \$14,114 compared to \$80,190 on June 30<sup>th</sup>, 2004. The company also holds 751,482 shares of Gastem Inc. Shares of Gastem are escrowed over a three year period but are released progressively every six months. The value of these shares is estimated to be in the order of \$90,000 at the time of this report. The company will also receive shortly the first payment of 200,000 shares of Strateco, of which 5% is payable to Pure Gold for its 5% interest.

Accounts receivable of \$11,505 are composed of sale-taxes amounts owing by TPS-TVQ.

Accounts payable of \$95,747 are composed principally of amounts due to Director R. Savoie (\$32,000) for fees and expenses not paid, Director Raymond Davies (expenses and fees \$8,000), and professional services to arms length parties as well as expenses related to Ditem's share of office space and material.

No financings were completed during the second quarter but the company plans to complete a private placement in the coming weeks.

## **5. FINANCIAL COMMITMENTS**

Financial commitments of the company are related only to exploration expenditures and normal operating expenses. Exploration commitments include an earn-in on the Southampton Island project for the amount of \$146,000 for 2004 and \$293,000 in 2005. As the exploration program was not executed in 2004, all work should be undertaken prior to the end of June 2005 and is subject to completion of a proposed financing.

There are no other commitments, other than normal and on-going exploration programs, which Ditem may or may not continue, depending on financial resources, new exploration and development opportunities.

## **6. RELATED PARTY TRANSACTIONS**

In consideration of management, company administration and direction, the chairman receives a monthly fee of \$4,000 approved by the Board of Directors, for a total of \$48,000 per year. However, no payment has been made in recent months.

Since 2001, the company has its offices at 1155 University St., suite 805 in Montreal and pays its share of the cost of the lease, taxes, office insurance, the telephone leasing contract and the fax machine as well as beverage costs to 3915671 Canada Inc. The sole shareholder of the latter is Raymond Savoie, a Ditem director and the CEO. 3915671 Canada inc. does not charge fees for this service nor does it produce a profit on operations, the company having been created to facilitate administration and reduce costs for the office.

There were no other related party transactions during the second quarter.

## **7. CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates relate to assessing the realizable values of mining and exploration assets. Consequently, actual results could differ from those estimates.

Properties include rights in properties and deferred exploration expenses. Exploration expenses are deferred until the economic viability of the project has been established, at which time the expenses are added to properties. Expenses are written off when properties are legally abandoned, or when expense recovery is uncertain. Management has defined uncertainty as either there being no financial resources available for development over a period of three consecutive years or results from exploration work not warranting further investment.

## **8. CHANGE IN ACCOUNTING POLICIES**

There were no changes in accounting policies.

## **9. OTHER**

Company information is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The company did not incur any expenditure on the properties during the second quarter except for claim renewals and a geological review of four of the properties. All expenses related to the properties were financed by Ditem, save and except those optioned to Strateco Resources.

## **10. SHARES, WARRANTS AND OPTIONS**

No shares, warrants or options were issued during the second quarter of 2005.

As of June 30<sup>th</sup> 2005, the company has 8,986,740 issued shares.

As of June 30<sup>th</sup> 2005, the followings options were outstanding:

40 000 shares at \$ 0.75 until September 27, 2005  
50 000 shares at \$0.75 until July 9, 2006  
150 000 shares at \$0.60 until March 19, 2007  
85 000 shares at \$0.75 until April 23, 2007  
100 000 shares at \$0.75 until April 30, 2007  
125,000 shares at \$0.35 until April 29 2008

for a total of 550,000 options.

## **11. FINANCING AND EXPLORATION WORK**

The Company has incurred losses to date and does not presently have the financial resources required to finance its planned exploration and development programs. Development of the Company's properties therefore depends on its ability to obtain the additional financing required. There can be no assurance that the Company will succeed in obtaining the required funding. Failure to do so may lead to substantial dilution or loss of its interests (existing or proposed) in its properties.

## **12. OUTLOOK**

In spite of these difficult moments, Ditem Directors feel confident that these challenges will be met and that the company will proceed with its development and growth. New directions combined with new objectives and approaches, and large amounts of work, are sure signs of an increase in shareholder value and the company's success.

Ditem will soon celebrate its 10<sup>th</sup> anniversary as a public company. With only 9 M shares issued, several discoveries and a successful and exciting track record, the company is more than confident in its future.

August 20<sup>th</sup> 2005

(s) Raymond Savoie  
President