

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FIRST QUARTER INTERIM REPORT**

#### **FOR THE PERIOD ENDED MARCH 31<sup>ST</sup> 2006**

This Management Discussion and Analysis (MD&A) follows rule 51-102A regarding continuous disclosure for a reporting issuer. It is a complement and supplement to the annual financial statements and should be read in conjunction with those statements. It represents the view of management on the Company's current and past activities and current financial results, as well as an outlook of the activities of the coming months.

#### **1. DATE**

This Management Discussion and Analysis for the interim period ended March 31<sup>st</sup> 2006 was completed on May 20<sup>th</sup> 2006. Important activities and events since March 31<sup>st</sup> 2006 are also presented, as required.

#### **2. NATURE OF ACTIVITIES**

Ditem Explorations Inc. (the "company") is a mineral exploration and development company listed on the TSX Venture Exchange (DIT, TSX-Vx). The company was first listed on a public exchange on August 24<sup>th</sup> 1995.

The company's properties are situated in the Otish Mountains region of north-central Quebec, in the Temiscaming area and in the Lake Athabasca basin in Saskatchewan. Other properties and projects in Quebec and in Canada are currently being obtained as part of the company's on-going activities.

In January 2006, Ditem optioned a uranium exploration property (the Beartooth Project) from Golden Valley in the Lake Athabasca region. In April, the company signed, subject to regulatory approval, an agreement for the purchase of a 100% interest in a property also in the Lake Athabasca area (the Cree Lake Project).

The company has no income from production or from production related activities. None were anticipated for the period ending March 31<sup>st</sup> 2006.

#### **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 exploration programs will be available at the company's web site at [www.ditem.com](http://www.ditem.com) which is now under reconstruction but is scheduled to be opened in mid-May 2006.

PROPERTY	SIZE AND INTEREST HELD	PROPOSED PROGRAM	NOTES
<b>Quebec Properties</b>			
<b>New property</b>			New claims being obtained ; press release to disclose details upon completion of the program.
<b>Beaver Lake</b>	168 staked claims 26.7 km <sup>2</sup> , 90% DITEM	Property review on-going ; exploration program to be prepared	Adjoining the Ditem kimberlite find in 1996, diamonds found but not economic
<b>Beaver Lake South</b>	189 staked claims 30.24 km <sup>2</sup> , 90% DITEM		Review of data, no diamond exploration planned in 2006. To be reviewed for uranium potential.
<b>Tichegami</b>	391 claim cells 205,3 km <sup>2</sup> 90% DITEM	No work planned in the coming months.	5 Kimberlite discoveries in H cluster on north-eastern sector 2 diamondiferous (H2 & H3)
<b>Matoush</b>	2 % NSR as of March 2006	Strateco drill results to be released in May	
<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, but not economic
<b>Lake Athabasca Properties</b>			
<b>Beartooth Project</b>	4 claims totalling 237.6 km <sup>2</sup> ; option to acquire a 60 % interest over 4 years for work program	Airborne magnetic and electromagnetic survey in June to be followed by ground TEM (moving loop) geophysical survey, with drilling possible in November	Property obtained from Golden Valley (staked in Dec. 2004) for 2 M warrants at \$0.10 in January 2006 ; 43-101 completed. Property review completed.
<b>Cree Lake</b>	Purchase of a 100% interest (with 2% NSR) on 20 claims totalling 831 km <sup>2</sup>	43-101 and work program being prepared	Agreement signed on April 18 <sup>th</sup> 2006 ; final regulatory approval pending ; 43-101 being prepared.

### 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. Essentially, the agreement allowed Strateco to acquire a 51% interest in the Matoush and Beaver Lake properties (either one or both) 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. Strateco has paid Ditem \$25,000 and has issued 200,000 shares. The remainder was payable in two payments over the next 16 months if Strateco maintains its option. Strateco later advised Ditem that it will proceed only on the Matoush Property.

On March 22<sup>nd</sup> 2006, it was announced that Ditem agreed to transfer its remaining 49% interest in the properties to Strateco for immediate payment of the \$150,000 and the remaining 400,000 shares. Ditem has a 2% NSR on the property.

### **Work in the Otish Mountains**

No diamond exploration programs were undertaken in the Otish Mountains. However, in 2005 the company reviewed existing properties, renewed some of the claims and undertook regional compilations for possible exploration programs in 2006 and 2007.

The company has undertaken a land acquisition program in the Otish Mountains. Details of the program will be made public by press release upon confirmation by the MRNF-Qc of completion of the program.

### **New Projects in Saskatchewan**

#### **1. The Beartooth Project**

On January 20<sup>th</sup> 2006, Ditem signed a letter of intent with Golden Valley (GZZ, TSX-Vx) allowing Ditem to earn up to a 66% interest in the Beartooth Island Prospect, a 23,760 hectares (58,712 acres) property located along the northwest margin of the Athabasca Basin. The property is located approximately 72 km southwest of Uranium City, Saskatchewan.

In the 1970's, exploration on the property followed the discovery of 222 radioactive glacial erratics located on Beartooth Island with an average scintillometer reading of 1000 counts per second ("cps") and isolated readings exceeding 15,000 cps (74N04-NE-0001). Two radioactive sources were identified in the area: the first consists of a low-grade fracture zone with a topographic low within 300 meters of the up-glacier advance direction. The second source consists of a very large, high-grade zone 1 to 3 kilometres long located northeast from the island at 60° (Saskatchewan Mineral Deposits Index – Mineral Property #: 2072). The initial claims were staked in the fall of 1976. Follow-up exploration programs from 1978 to 1980 included soil sampling and ground scintillometer surveys, an airborne EM and magnetic survey, surficial geological survey, radioactive boulder fan study, limited diamond drilling (five drill holes totalling 1007 meters), ground geophysical surveys as well as marine seismic and radiometric surveys. In 2004, Golden Valley obtained a 100% interest in the properties.

Ditem may earn an initial 50% interest by incurring aggregate exploration expenditures of \$1,000,000 over three years. In the fourth year of the agreement, Ditem may then elect to increase its interest by 10% (to an aggregate 60% interest) by incurring an additional \$2,000,000 in exploration expenditures. Finally, Ditem may then enhance its position by acquiring an additional 6% interest (aggregate 66%) in the property provided that it deliver a bankable

feasibility study within 10-years from the signing of the final agreement. Golden Valley will be operator during the option period.

In conjunction with this transaction, and as partial consideration for the work commitment, Ditem issued to Golden Valley 2,000,000 warrants for a period of 2 years from the date of issuance at a price of \$0.10 per common share. No commissions are payable in connection with this transaction. On April 15<sup>th</sup> of this year, Golden Valley exercised its right to acquire 1,000,000 warrants for gross proceeds of \$100,000. The right to exercise the remaining 1,000,000 warrants is subject to shareholder approval in the event that exercising the warrants constitutes Golden Valley holding more than 20% of issued shares.

Ditem is now planning an initial high-resolution, deep-penetrating airborne magnetic and electromagnetic survey to be followed by additional work and a drilling program. The drilling program will be undertaken as soon as possible.

## **2. The Cree Lake Project**

On April 18<sup>th</sup> 2006, Ditem announced that it has entered into an agreement to acquire a 100% interest in more than 205,000 acres located on the south-eastern side of the Athabasca Basin, Saskatchewan. The Cree Lake project consists of 20 mineral dispositions in a staked area that extends over the north half of Cree Lake and northwards on the east flank of a long block of Cogema claims that cover a structure that is well marked as a magnetic feature. Previous work has identified two radiometric anomalies as well as an anomalous boulder train on the north end of Cree Lake.

Under the terms of the agreement, the Company has agreed, subject to TSX Venture Exchange acceptance, to acquire a 100% interest in the Claims from 455702 BC Ltd. And Timothy Young , who are at arms-length, to the Company. Consideration payable to acquire the 100% interest in the Claims will consist of issuing to the Vendor 2,000,000 common shares in the capital of the Company, a \$500,000 cash payment and a 2% NSR and a 2% GOR for diamonds. A finders fee of 259,722 shares with a full warrant at \$0.48 was also subject to regulatory approval. Regulatory approval for the transaction was granted in early May of this year.

The Company plans to implement a work program on the property in 2006 that will include an initial, airborne MEGATEM survey to define conductors for drill testing, and ground-based geophysical surveying and mapping.

Initial reports and a 43-101 are being prepared jointly by the GIS Explorations, Mr. Phil Robertshaw (P. Geo.) and should be completed in the coming weeks.

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

As of March 31<sup>st</sup>, 2006, the company had a working capital of \$124,217 as well as marketable securities totalling \$238,810. Accounts receivable of \$10,338.00 are composed entirely of sales tax returns, which have since been received. In March of 2006, the company received in payment for the Matoush Property an amount of \$150,000 and 400,000 shares of Strateco (SRC, TSX-Vx) as mentioned above.

Accounts payable by the company totalled some \$87,723.00. This amount is composed principally of amounts owing for accounting and legal services as well as fees, expenses and

taxes owed to two directors. Amounts owing for legal and accounting services have since been paid. Monies owing to two directors (R. Savoie and R. Davies) have been paid in part by issuance of shares (see note 7, Related Party Transactions). Other amounts are costs related to press releases, rent and related expenses owing to 3915671 Canada Inc., and other on-going expenses.

Expenses for the year were substantially increased in terms of professional and management fees for the preparation of financings and the undertaking of new objectives. Professional and management fees totalling \$80,000.00 is payable to arms length parties and are payable by issuance of common shares at a price \$0.36 per share, subject to regulatory approval. Office, travel and administrative expenses were almost identical to expenses paid in the same quarter in 2005.

## **5. FINANCINGS**

In the first quarter of 2006, Ditem signed an option agreement with Golden Valley for the acquisition of the Beartooth Property. As per the terms of the agreement, Golden Valley has exercised its right to acquire an initial 1 million warrants at \$0.10, which shares are subject to a four month hold period. The remaining 1 million warrants may be exercised at any time subject to prior shareholder approval in the event of that the exercise creates a change of control.

On April 5<sup>th</sup> 2006, the company announced that it had closed a non-brokered private placement totaling \$650,000 in gross proceeds, by the issuance of 5,777,776 Units at a price of \$0.1125 per Unit. Each Unit is comprised of one common share of the Company and one full purchase warrant, entitling the holder to acquire one additional common share of the Company at a price of \$0.15 for a period of two years. A portion of the common shares comprising the units (2,914,945) were issued as flow-through common shares, but all common shares issuable upon exercise of the Warrants shall be issued as non-flow through common shares. All securities issued pursuant to the offering are subject to a hold period of four months. Regulatory approvals of this transaction have been granted.

## **6. FINANCIAL COMMITMENTS**

Financial commitments of the company are related only to exploration expenditures and normal operating expenses.

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.

## **7. RELATED PARTY TRANSACTIONS**

In consideration of management, company administration and direction, the CEO receives a monthly fee of \$4,000 approved by the Board of Directors, for a total of \$48,000 per year. However, payments were made in the first quarter of 2005 only. As of December 31<sup>st</sup> 2005, the company owed to CEO Raymond Savoie an amount of \$52,953 for wages, travel expenses and taxes. An amount of \$18,333 was also owed to director Raymond Davies for expenses related to reports, travel and long-distance calls.

Amounts of \$25,000 to Raymond Savoie and \$12,000 to Raymond Davies are to be paid as a result of debt settlement by issuance of shares at a value of \$0.36. a share, subject to regulatory approval.

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 and fax leasing contract and other related and similar costs to 3915671 Canada Inc. The sole shareholder of the latter is Raymond Savoie, a Ditem director and officer. 3915671 Canada inc. does not charge fees for this service nor does it produce any profit on operations, the company having been created to facilitate office administration and to reduce costs for office maintenance.

There were no other related party transactions during 2005.

## **8. 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.

## **9. CHANGE IN ACCOUNTING POLICIES**

There were no changes in accounting policies.

## **10. OTHER**

Company information is available on SEDAR at [www.sedar.com](http://www.sedar.com). As stated above, the company's internet site is presently under reconstruction and should be operational shortly.

All expenses related to the properties were financed by Ditem save and except the Matoush Property optioned to Strateco Resources.

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

As of March 31<sup>st</sup> 2006, the company had 8,986,740 issued shares.

On March 17<sup>th</sup> 2006, the company issued 2,000,000 purchase warrants to Golden Valley Inc. as partial consideration of the Beartooth Property, exercisable at a price of \$0.10 and expiring March 17<sup>th</sup> 2008. On April 8<sup>th</sup>, Golden Valley exercised its right to purchase 1,000,000 warrants for gross proceeds of \$100,000. There were no fees involved in this transaction.

Since March 31<sup>st</sup> 2006, the company has issued 5,777,776 at a price of \$0.1125 upon completion of a private placement in April 2006, as well as 5,777,776 options at a price of \$0.15. Furthermore the company paid 346,667 share to an arms length third party as finders fee in connection with aforementioned private placement.

At the time of writing this report, the company nowh has 16,111,448 shares issued.

As of March 31<sup>st</sup> 2006, the followings options were outstanding:

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 510,000 options.

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

The Company has incurred losses to date and does not presently have the financial resources required to finance all of 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**

As stated in the 2006 Annual Report completed April 19<sup>th</sup>, present market conditions in mining are favourable in several sectors and market interest, though cyclical, appears deeper for some sectors, notably uranium. The most striking proof is that during last week's commodity fluctuations, uranium increased in value.

During the first quarter Ditem has focused on obtaining uranium properties in the Lake Athabasca Basin in north-western Saskatchewan as well as obtaining a sound and promising land package in the Otish Mountain area.

The Lake Athabasca Basin, which presently accounts for 100% of Canadian uranium production, is the world's largest producer, producing approximately 30% of worldwide supply, and hosts reserves of approximately 40 years at current production rates. Several world-class deposits are located in the Athabasca Basin including Rabbit Lake, Cluff Lake, and Key Lake. New mine supply of approximately 93,000,000 pounds/year is outpaced by current nuclear power plant consumption trends of approximately 147,000,000 pounds/year ([www.world-nuclear.org](http://www.world-nuclear.org)), contributing to a steady increase in the spot price of uranium from \$10.10/pound in March 2003 to over US \$41/pound at present. Market demand for uranium should remain strong and even increase substantially over the coming years.

The Otish Mountain area has also been the object of renewed activity for Ditem for uranium. The company has obtained a new and exciting land position based on a solid geological approach to the area.

The company also plans to undertake Phase I of its exploration program of the Beartooth Property and the Cree Lake Property in June. After analysis, an initial drilling program is expected to be undertaken as quickly as possible. Ditem has obtained the collaboration of the Saskatchewan Research Council (Dr. Irvine Annesley Ph.D., P. Geo.) and of P. Robertshaw (M. Sc., P. Geo.) a well-respected uranium geologist with 35 years of experience in uranium exploration in the Athabasca Basin. The company also intends to obtain new properties in the area.

With a major financing completed and a second financing now being planned, new objectives and a major land position in one of the strongest mineral sectors in Canada, the company is well positioned to continue strong and steady growth.

In closing, Ditem directors look forward to seeing you at the annual shareholders meeting. Please note that a change as to the date of the shareholders meeting has been made in light of other activities. The meeting will be held in Montreal, at the Queen Elizabeth Hotel, in the St-Charles room on July 6<sup>th</sup> 2006 at 10:00.

May 20<sup>th</sup> 2006

(s) Raymond Savoie  
President