



# **DITEM EXPLORATIONS INC.**

THIRD QUARTER FINANCIAL REPORT  
(unaudited)

For the nine months ended  
September 30, 2006

Prepared by Management

**DITEM EXPLORATIONS INC.****BALANCE SHEET**

<b>(unaudited)</b> <b>(in Canadian dollars)</b>	<b>September 30</b> <b>2006</b>	<b>December 30</b> <b>2005</b>	<b>September 30</b> <b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	97 411	13 973	14 409
Accounts receivable	8 757	6 322	13 685
Deposits and prepaid expenses	582	1 920	582
	<b>106 750</b>	<b>22 215</b>	<b>28 676</b>
Fixed assets (note 2)	9 013	8 168	8 678
Marketable securities (note 3)	130 246	102 810	102 810
Mining properties (note 4)	872 279	146 679	166 121
Deferred exploration costs (note 4)	981 171	1 065 219	1 136 268
	<b>2 099 459</b>	<b>1 345 091</b>	<b>1 442 553</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	41 072	150 276	106 110
	<b>41 072</b>	<b>150 276</b>	<b>106 110</b>
<b>SHAREHOLDERS' EQUITY</b>			
Capital stock (note 5)	5 843 585	4 664 250	4 664 250
Surplus d'apport	219 900	219 900	219 900
Deficit	(4 005 098)	(3 689 335)	(3 547 331)
	<b>2 058 387</b>	<b>1 194 815</b>	<b>1 336 819</b>
	<b>2 099 459</b>	<b>1 345 091</b>	<b>1 442 553</b>
<b>STATISTICS</b>			
<b>Per share value</b>			
Shareholders' equity	0.11	0.14	0.15
<b>Capital stock</b>			
Shares outstanding	18 672 238	8 986 740	8 986 740

See accompanying notes to financial statements.

**ON BEHALF OF THE BOARD ;**

\_(s) Raymond Savoie \_\_\_\_\_ , Director

\_(s) Richard-Marc Lacasse \_\_\_\_\_ , Director

## DITEM EXPLORATIONS INC.

## STATEMENT OF DEFERRED EXPENDITURES

<b>(unaudited)</b> <b>(in Canadian dollars)</b>	<b>September 30</b> <b>2006</b>	December 31 2005
	\$	\$
<b>Balance, beginning of the period</b>	<b>1 065 219</b>	1 065 219
<b>Increase (decrease )</b>		
Others	-	3 000
Geological work	<b>2 826</b>	-
Valuation and development	<b>9 350</b>	-
Airborne megatem survey	<b>200 350</b>	-
Reports	<b>9 426</b>	-
Less credits for mining duties and resource credits	-	(26 005)
Consideration received on disposal of undivided interest	<b>(306 000)</b>	(43 750)
Write-down of mining properties	-	(51 049)
	<b>(84 048)</b>	(117 804)
<b>Balance, end the period</b>	<b>981 171</b>	1 065 219

See accompanying notes to financial statements.

## DITEM EXPLORATIONS INC.

## STATEMENT OF LOSS AND DEFICIT

<b>(unaudited)</b> <b>(in Canadian dollars)</b>	<b>For the three</b> <b>Months ended</b> <b>September 30</b> <b>2006</b>	<b>For the three</b> <b>Months ended</b> <b>30 septembre</b> <b>2005</b>	<b>For the nine</b> <b>Months ended</b> <b>September 30</b> <b>2006</b>	<b>For the nine</b> <b>Months ended</b> <b>September 30</b> <b>2005</b>
	\$	\$	\$	\$
<b>REVENUE</b>				
Others revenues	451	20 000	451	20 000
Profit on disposal of marketable securities	86 533	-	177 236	-
	<b>86 984</b>	20 000	<b>177 687</b>	20 000
<b>EXPENSES</b>				
Salaries and social benefits	-	-	1 483	-
Professional fees	16 341	20 893	351 138	56 922
Office, trustees and reports to shareholder	13 867	7 013	61 190	36 278
Rent and taxes	3 665	3 665	10 995	11 219
Travel	2 305	705	21 534	6 390
Financial	113	(8)	825	622
Depreciation	467	510	1 285	1 531
	<b>36 758</b>	32 778	<b>448 450</b>	112 962
<b>NET PROFIT (NET LOSS) OF PERIOD</b>	<b>50 226</b>	(12 778)	<b>(270 763)</b>	(92 962)
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(4 055 324)</b>	3 534 553	<b>(3 689 335)</b>	3 454 369
<b>SHARE ISSUE EXPENSE</b>	-	-	<b>(45 000)</b>	-
<b>DEFICIT, END OF PERIOD</b>	<b>(4 005 098)</b>	3 547 331	<b>(4 005 098)</b>	3 547 331
<b>Loss per share, basic and diluted.</b>	<b>0.00</b>	0.00	<b>0.01</b>	0.01

See accompanying notes to financial statements.

## DITEM EXPLORATIONS INC.

## STATEMENTS OF CASH FLOWS

<b>(unaudited)</b> <b>(in Canadian dollars)</b>	<b>For the three Months ended September 30 2006</b>	<b>For the nine Months ended September 30 2006</b>	<b>For the three Months ended 30 septembre 2005</b>	<b>For the nine Months ended September 30 2005</b>
	\$	\$	\$	\$
<b>Cash flows from operating activities :</b>				
<b>Net profit (net loss) for the period</b>	50 226	(270 763)	(12 778)	(92 962)
Adjustments for:				
Depreciation	467	1 285	510	1 531
Net change in non-cash operating working capital items	<u>(58 927)</u>	<u>(110 301)</u>	<u>(25 668)</u>	<u>61 775</u>
	<u>(8 234)</u>	<u>(379 779)</u>	<u>(37 936)</u>	<u>(29 656)</u>
<b>Cash flows from financing activities:</b>				
Proceeds from shares issuance	8 325	1 179 335	-	-
Share issue expenses	-	(45 000)	-	-
	<u>8 325</u>	<u>1 134 335</u>	<u>-</u>	<u>-</u>
<b>Cash flows from investing activities:</b>				
Purchases of fixed assets	-	(2 130)	-	-
Decrease of marketable securities	50 700	128 564	-	-
Increase of marketable securities	-	(156 000)	-	-
Investments from disposal of mining properties	-	-	(20 000)	(20 000)
Mining properties	-	(725 600)	-	(5 280)
Deferred exploration costs	32 647	84 048	49 755	46 755
	<u>83 347</u>	<u>(671 118)</u>	<u>29 755</u>	<u>21 475</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	83 438	83 438	(8 181)	(8 181)
Cash and cash equivalents, beginning of period	13 973	13 973	22 590	22 590
<b>Cash and cash equivalents, end of the period</b>	<u>97 411</u>	<u>97 411</u>	<u>14 409</u>	<u>14 409</u>

See accompanying notes to financial statements.

**DITEM EXPLORATIONS INC.**  
**Notes to Financial Statements**  
**For the nine months ended September 30, 2006**

Ditem Explorations was incorporated on November 26, 1993 under the Canada Business Corporations Act. The Company holds interests in mineral properties which are presently in the exploration stage and has not yet determined whether the properties contain reserves that are economically recoverable.

**1. Significant accounting policies :**

a) Mining properties and deferred exploration costs :

Exploration assets are carried at cost. Exploration and development expenses relating to a non-producing property are deferred until the property is brought into production or abandoned. Upon abandonment, these costs are charged to earnings. Management reviews the carrying values of assets on a regular basis to determine whether any write-downs are necessary.

Recovery of the cost of properties and deferred exploration and development expenses depends on the discovery of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete the exploration and development of the properties and future profitable production or the disposal of the properties for proceeds in excess of their carrying value.

b) Fixed assets :

Fixed assets are carried at cost. The depreciation is calculated using the diminishing balance methods at the rate of 20 %.

c) Marketable securities :

Marketable securities are stated at cost, less a provision for write-down in the event of a permanent decline in value.

d) Administrative expenses :

Administrative expenses are charges to operating as incurred.

e) Stocks-based compensation and other stock-based payments:

The Company adopted the new accounting recommendations published by the Canadian Institute of Chartered Accountants (« ICCA ») relating to stock-based compensation and other stock-based payments made in exchange for goods and services. Effective January 1, 2004 , the Company uses the fair value method for the options granted to all participants.

**DITEM EXPLORATIONS INC.**  
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**1. Principales conventions comptables (suite) :**

f) Use of estimates :

The preparation of financial statements in conformity with 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 expenditures during the reporting period.

Significant areas requiring the use of estimates relate to assessing the realizable values of properties and deferred exploration costs. Consequently, actual results could differ from those estimates.

**2. Fixed assets :**

	September 30, 2006		December 31, 2005	
	Cost	Accumulated depreciation	Net book value	Net book value
	\$	\$	\$	\$
Computer equipment	11 190	5 256	5 934	6 981
Equipment and tools	10 994	7 915	3 079	1 187
	<b>22 184</b>	<b>13 171</b>	<b>9 013</b>	<b>8 168</b>

**3. Marketable securities :**

	September 30, 2006	December 31, 2005
	\$	\$
Shares of a public company (market value – \$ 252 450 et \$ 20 000 in 2005)	156 000	20 000
225 477 common shares of Gastem Inc., representing 1.22% of the shares issued, and those shares are escrowed (market value \$ 67 634 and \$ 93 935 - 2005)	24 946	82 810
	<b>130 246</b>	<b>102 810</b>

**DITEM EXPLORATIONS INC.**  
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**4. Properties and deferred exploration costs:**

	September 30, 2006		December 31, 2005	
	Properties	Deferred exploration costs	Properties	Deferred exploration costs
	\$	\$	\$	\$
Otish Mountain	172 279	768 075	146 679	1 065 219
Beartooth Island	200 000	200 350	-	-
Cree Lake	500 000	12 746	-	-
	<b>872 279</b>	<b>981 171</b>	146 679	1 065 219

a) Otish Mountains property (Beaver Lake, Matoush, Tichégami, Franks et Eastmain) :

The Company holds a 90% interest in the diamond properties Beaver Lake, Beaver Lake South and Tichégami, as well a 100% interest in the diamond property of Eastmain.

b) Acquisition of Bear Tooth Island property:

Pursuant to an agreement dated January 20, 2006 between the Company and Golden Valley Mines, Ditem acquired the right to earn a 50% interest in the Bear Tooth Island property in Saskatchewan. In consideration of the transaction, the Company issued 2,000,000 purchase warrants exercisable at \$0.10 per share expiring on January 20, 2007.

Ditem will earn its interest by incurring exploration expenditures of \$1,000,000 by January 20, 2008 and will be able to increase its interest at 60% by incurring additional exploration expenditures of \$2,000,000 in the 4<sup>th</sup> year of the agreement.

c) Acquisition of Cree Lake uranium property :

Ditem acquire a 100% interest in more than 205,000 acres of key uranium located on the south-eastern side of the Athabasca Bassin, Saskatchewan. Consideration payable to acquire the 100% interest in the claims will consist of issuing to vendor 2,000,000 common shares. The granting to the vendor a 2% net smelter return royalty and 2% gross overriding royalty (for diamonds) and paying to the vendor \$500,000 cash.

d) Disposal of the Matoush property:

On February 20, 2006, Ditem signed a final agreement for the disposal of its 100% interest in the Matoush property for a cash payment of \$140,000, the issue of 400,000 common shares of Strateco Resources Inc. and a 2% net smelter return royalty.

**DITEM EXPLORATIONS INC.**  
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**5. Capital stock:**

**Authorized :**

An unlimited number of common shares without par value.

	September 30, 2006	December 31, 2005
<b>Issued :</b>	<b>\$</b>	<b>\$</b>
18 672 238 common shares (8 986 740 in 2005)	<b>5 843 585</b>	4 664 250
<b>Issuance during the period :</b>	<b>September 30, 2006</b>	December 31, 2005
	<b>\$</b>	<b>\$</b>
Share purchase warrants:		
1 000 000 common shares	<b>100 000</b>	-
55 500 common shares	<b>8 325</b>	-
Private placements :		
5 777 776 common shares	<b>650 010</b>	-
346 667 common shares	<b>39 000</b>	-
For the acquisition of properties :		
2 000 000 common shares	<b>200 000</b>	-
259 722 common shares	<b>93 500</b>	-
Debt settlement :		
245 833 common shares	<b>88 500</b>	-
	<b>1 179 335</b>	-
Weighted average number of shares outstanding during the period	<b>18 672 238</b>	8 986 740

**Share purchase warrants :**

The Company has granted share purchase warrants in different financing and could be required to issue shares as follows

- a. 1 000 000 shares at \$0.10 until March 17, 2008
- b. 5 722 276 shares at \$0.15 until April 5, 2008
- c. 346 667 shares at \$0.15 until May 2, 2008
- d. 259 722 shares at \$0.48 until May 2, 2008
- e. 237 777 shares at \$0.48 until June 30, 2008

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**6. Stock option plan :**

As at September 30, 2006, 1,797,348 common shares were reserved for future issuances under the stock option plan for the benefit of the directors and officers of the Company. The life of the options cannot exceed 10 years.

The number of stock options outstanding fluctuated as follows :

	09-30-06	Average exercisable price	12-31-05	Average exercisable price
		\$		\$
Balance, beginning of period	510 000	0.61	550 000	0.62
Issued				
Cancelled	(50 000)	0.75	(40 000)	0.75
Exercised				
Balance, end of period	460 000	0.54	510 000	0.61

As at September 30, 2006, the following options were outstanding:

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

**7. Related party transactions :**

During the period, the Company paid its share of the cost the lease and other office costs to a company controlled by a director of the Company for an amount of \$15,031. These transactions were recorded at the exchange amount.

**8. Financial instruments :**

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments.

Short-term financial instruments :

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are short-term financial instruments whose fair value approximates their carrying amount given that they will mature shortly.