



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECOND QUARTER INTERIM REPORT**

#### **FOR THE PERIOD ENDED JUNE 30<sup>th</sup> 2007**

The following Management Discussion and Analysis (MD&A) is a supplement to the unaudited financial statements for the period ending June 30<sup>th</sup> 2007 which is deposited under Ditem Explorations at [www.sedar.com](http://www.sedar.com). The present MD&A should be read in conjunction with the 2006 audited Annual Financial Statements and the corresponding MD&A as well as the First Quarter Interim Report for the period ending March 31<sup>st</sup> 2007.

This MD&A represents views and comments of management on the company's current activities and contains a brief outlook of activities and objectives for the coming months.

#### **1. DATE**

This MD&A for the period ended June 30<sup>th</sup> 2007 was completed on August 20<sup>th</sup> 2007. As required, important activities and events after June 30<sup>th</sup> 2007 are also noted.

#### **2. CORPORATE PROFILE**

Ditem Explorations (the "company") is a uranium exploration and development company. It was incorporated in May 1993 under the Canada Business Corporations Act and is listed on the TSX Venture Exchange (DIT, TSX-Vx). The company has been publicly listed since August 24<sup>th</sup> 1995. The company is also listed on the Frankfurt Stock Exchange under the symbol D8X since January 2007.

The company's principal properties are situated in the Otish Mountains region of north-central Quebec (principally in the Otish Basin) and in the Lake Athabasca Basin in Saskatchewan. Other properties and exploration projects in Quebec and in Canada are currently being reviewed as part of the company's on-going activities.

The company has no income or royalties from production or from production related activities and none were anticipated for the period ending June 30<sup>th</sup> 2007 or are anticipated for 2007. All properties and interests are at the exploration stage.

#### **3. EXPLORATION ACTIVITIES**

A summary of Ditem Explorations properties with a brief highlight of on-going activities, exploration programs and program costs are presented in the following table. All exploration expenses on all properties and options were undertaken with the company's funds.

PROPERTIES	INTEREST HELD	EXPLORATION PROGRAM	NOTES
<b>Quebec Projects</b>			
<b>Otish Uranium</b>	486 claims totaling approximately 258 km <sup>2</sup> 100% Ditem owned; Beaver Lake and Beaver Lake South totaling less than 40 claims are 90% Ditem and 10% Pure Gold.	Detailed uranium regional review for all of Otish Basin completed; 43-101 completed; airborne magnetics, radiometrics and TEM surveys completed and reviewed and initial drilling program underway	Total exploration expenses estimated at \$1,200,000 in 2007.
<b>Otish Uranium South</b>	100% interest in 717 claims totaling 381 km <sup>2</sup> .	43-101 completed in early May; airborne magnetics, radiometrics and TEM surveys and 300m test drilling now scheduled for this fall	Total exploration expenses estimated at \$500,000 in 2007.
<b>Tichegami</b>	48 claim cells 205,3 km <sup>2</sup> 90% DITEM	No work planned for the present year	5 kimberlite discoveries in H cluster on north-eastern sector 2 diamondiferous H2 & H3
<b>Matoush</b>	2 % NSR	Strateco drilling program on-going	
<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>Hemingford</b>	4 claim cells, 100% DITEM	No further work planned at this time	Properties will be maintained and may be the object of an option
<b>Lake Athabasca Basin Projects (Saskatchewan)</b>			
<b>Beartooth</b>	4 mineral dispositions totaling 237.6 km <sup>2</sup> ; option to acquire a 60% interest over a 4 year work program and an additional 6% with BFS	Airborne MegaTem survey completed. Magneto-Telluric survey completed and targets identified. Drilling program to be undertaken as soon as possible	43-101 report completed; ground geophysics completed during Second Quarter; drilling program in preparation (\$600,000 cost estimate)
<b>Cree Lake</b>	100% interest (2% NSR to a third party) on 20 mineral dispositions totaling 831 km <sup>2</sup>	Airborne VTem and Mag surveys completed; ground geophysics and structural study to be undertaken in summer or fall of 2007 and possible drilling late summer or fall	VTem and Mag surveys of \$460,000 completed in March 2007; ground target geophysics for \$400,000 to be undertaken. Drilling program for 2007 estimated at \$250,000

A full description of the properties and exploration programs is available at the company's web site at [www.ditem.com](http://www.ditem.com)

## **The Quebec Otish Mountain Projects**

### **a. Otish Uranium Property**

Geologically well situated in the western wedge of the Otish Basin, the property consists of 486 contiguous claims totalling 26,294 hectares including Ditem's Beaver Lake properties. The Otish Uranium Property is bordered to the south by the Cameco Otish block and extends northward to the 52° parallel. The new property encompasses the UEM block on which are reported uranium leached surface assays grading from 0.23% up to 2.46% of U<sub>3</sub>O<sub>8</sub>. In 2006, Ditem mandated InnovExplo to compile relevant existing data on the entire Otish Basin. This compilation is now completed.

Regional mapping shows that the property is underlain by the Indicateur Formation of the Otish Group (about 1.7 Ga). The Indicateur Formation consists of conglomeratic arkoses, sandstones with local interlayering of quartz pebble conglomerates and, near the unconformity, polymictic conglomerates. The basement is composed of gneisses with metavolcanics and ultramafic horizons intruded by pegmatites and granites. The total thickness of Otish Group sediments within the property varies from 400 to 800m. Uranerz Exploration and Mining Ltd. conducted several exploration programs for uranium in the area from 1974 to 1985. Otish Uranium is among the best located property in the Otish Basin being the farthest away from the Grenville front and likely the least deformed.

During the Second Quarter, exploration consisted, among other things, of an airborne magnetic, radiometric and TEM survey of the entire property. From this data and already available structural information from previous work, targeted areas have been selected for detailed exploration and drilling. Drilling began in mid-June and at the time of writing this report, two holes have been drilled to target and a third has begun. At present, the company plans to drill as many holes as possible during the summer drilling season or until weather conditions make drilling unfeasible. A summary of the exploration program will be made known as soon as the drilling program has been completed.

### **b. Otish Uranium South Property**

Otish Uranium South Property consists of 480 registered claims totalling 25,507 hectares. Furthermore, 245 claims totalling 13,017 hectares were recently staked and are pending approval. The South Otish property is located approximately 20 km south of the eastern edge of the Otish Basin. Although the property is not part of the Otish Basin, it comprises the same sedimentary units and appears to be a remnant of a much larger basin that was once united.

The South Otish property is underlain by the Indicateur Formation of the Otish Group consisting of conglomerates and sandstones (about 1.7 Ga).

Little exploration work was done in the past. The property is near the Grenville Front and some preliminary data suggests a highly deformed and fractured environment with substantial metamorphism. Gabbro intrusions are also notably described in basic geological maps of the area. A key feature of this property is its vertical distance to the unconformity which is probably in the range of 200 to 300m as suggested by preliminary data.

In early May 2007, the 43-101 was completed and presented to the Board. The exploration program was reviewed and priorities established. The proposed exploration program including airborne magnetics, radiometrics and TEM surveys at 150m line spacing which was scheduled for June has been postponed to September as a result of lesser costs and in light of activities on Otish Uranium. A 300m test drilling of one hole will be undertaken upon completion and will be helpful for defining a new exploration model for the area.

### **c. The Matoush NSR**

The company has a 2% NSR on the Matoush Property now being drilled by Strateco.

### **The Lake Athabasca Projects**

#### **a. The Beartooth Property**

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, composed of mineral dispositions totaling 23,760 hectares (58,712 acres) located along the northwest margin of the Athabasca Basin. The property is located approximately 72 km southwest of Uranium City, Saskatchewan and approximately 10 km southeast of the Maurice Bay uranium deposit (Cameco).

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 initial three year option period.

In 2006, and for the first phase of the exploration program, a \$200,000 Megatem II survey was completed. The Megatem II survey consisted of 1,156 line km and covered the entire property, including the island and surrounding portions of Lake Athabasca. The property-scale, high-resolution and deep-penetrating electromagnetic-magnetic survey conducted at the Beartooth Property has been completed and preliminary reports received. The M II system appears to have outlined several north-south-trending lineaments in the western portion of the property and northeast-trending lineaments in the eastern part of the property all thought to potentially represent fault zones. In the east portion of the property, these are considered of interest due to their proximity to the Black Bay fault zone which is associated with uranium mineralization closer to the Uranium City and Beaverlodge areas to the northeast.

During the first quarter of 2007, a successful ground Magneto-Telluric survey was completed, final data received and targets have been defined. Ditem and operator Golden Valley intend to undertake a drilling program as quickly as possible. Plans for a summer barge-mounted diamond drill have been abandoned by the operator as a result of excessive costs and other logistic considerations. The drilling program is now being planned for the late fall on ice and as soon as weather conditions permit.

At the time of writing this report, Ditem has completed the first year obligations and part of the second and third year obligations. Upon completion of drilling program, it is estimated that Ditem will have earned an interest equal to a 50% interest in the property, almost a full year in advance.

#### **b. The Cree Lake Property**

The Cree Lake Property is located in the southeast sector of the Athabasca Basin in northern Saskatchewan. It consists of 20 claims, 19 of which form a contiguous block of some 83,070 ha or 837 km<sup>2</sup>. The property was fully acquired by Ditem in April 2006 and is subject to a 2% NSR in favour of the prospectors.

In March of 2007, V-Tem and magnetic surveys were flown over the entire property of Cree Lake at 200m line spacing with areas of interest flown at 100m line spacing. Analysis undertaken during the Second Quarter indicates features with strong potential and the company is now preparing a ground geophysical survey over parts of the property for the summer and fall. Targets will soon be identified for drilling later this year or in early 2008.

#### 4. LIQUIDITY AND CAPITAL RESOURCES

As of June 30<sup>th</sup> 2007, the company had a working capital, including accounts receivable, of \$5,695,666 in comparison with \$73,084 as of June 30<sup>th</sup> 2006. Marketable securities totaling \$75,646 are at cost value as indicated in the financial statements. However, market value of securities in August 2007 is closer to \$400,000. Accounts receivable of \$164,610 are composed of sales tax returns for an amount of approximately \$73,774 and \$71,768 for federal and provincial sale taxes respectively and various small amounts related to on-going expenditures which have since been received.

Accounts payable on June 30<sup>th</sup> 2007 by the company total \$727,906 and are composed principally of amounts for airborne geological services, accounting and legal services as well as fees, and various minor expenses. Amounts owing for airborne geological services, legal and accounting services have since been paid. Other amounts are minor costs related rent and on-going administrative expenses owing to 3915671 Canada Inc.

Total exploration expenses for all of 2007 should not exceed \$3,500,000 thus leaving the company with liquidities of slightly more than \$3,000,000 for accelerated drilling or new exploration programs resulting from on-going work

#### Selected Quarterly Information

	Results as of June 30 <sup>th</sup> 2007	Results as of December 31 <sup>st</sup> 2006	Results as of June 30 <sup>th</sup> 2006
Shareholder Equity	\$9,209,647	\$5,968,589	\$2,000,018
Deficit	\$4,161,165	\$4,560,978	\$4,055,142
Mining Properties	\$1,433,0602	\$1,392,848	\$872,279
General Expenses	\$457,632	\$ 318,285	\$411,510
Liquidities	\$5,695,666	\$3,590,268	\$73,084

#### 5. OPERATIONS AND DEFICIT

During the Second Quarter, the company received revenues in the form of interest payments on bank deposits for \$52,050. No securities were sold during the Second Quarter.

Operating expenses were in keeping with the increase of the company's activities. Specific increases such as travel are related to the Ditem meetings in China with government officials and agencies. Ditem also participated in the uranium conference held in Beijing and Shanghai in May. Activities in Toronto and Vancouver have also caused an increase in travel expenses. Other increases in costs are related to the office expansion in April, reports and communications.

Quarter	(\$)	Net Profit	Net Loss per Share	
	Revenues	(Net loss)	Issued	Diluted
30/06/2007	52,050	(229,910)	0.000	0.000
31/03/2007	43,892	(131,780)	0.000	0.000
31/12/2006	302,173	(16,112)	0.010	0.010
30/09/2006	86,984	50,226	0.000	0.000
30/06/2006	71,484	(213,854)	0.017	0.017
31/03/2006	19,219	(106,953)	0.011	0.011
31/12/2005	220	(234,966)	0.026	0.026
30/09/2005	20,000	(12,778)	0.000	0.010

## 6. FINANCING

No financing was undertaken during the Second Quarter. In the First Quarter, Ditem Explorations completed a financing and issued an aggregate of 4,231,000 Units at a price of \$0.65 per Unit for gross proceeds of approximately \$2,750,150. There were no flow-through funds raised in this financing.

Further to the completion of the financings listed below for 2006 and the first half of 2007, 9,882,581 warrants were exercised for a total \$1,792,696, from which \$500,000 was paid from warrants exercised solely in the Second Quarter.

A summary of all financings undertaken in 2006 and half of 2007 is given below and indicates the amounts raised in the past 12 months.

Shares					Warrants	
Date of Financing	Number of Shares	Cost	Amount before Expenses	Non Flow-Through	Number	Cost
Apr. 2006	5,777,776	\$0.1125	\$649,999.80	\$320,812.43	5,777,776	\$0.15
Nov. 2006	7,000,000	\$0.25	\$1,750,000.00	\$875,000.00	1,750,000	\$0.35
Dec. 2006	2,666,666	\$0.45	\$1,199,999.70	\$1,199,999.70	1,333,333	\$0.60
Jan. 2007	4,231,000	\$0.65	\$2,750,150.00	\$2,750,150	2,115,500	\$0.75
<b>Total of Financings</b>			<b>\$6,350,149.50</b>			

## 7. FINANCIAL COMMITMENTS

Financial commitments of the company are related only to on-going exploration expenditures and normal operating expenses. The company has no long term obligations save and except those related to an option agreement with Golden Valley Mines for the Beartooth Property, which it may or may not maintain. Obligations for the first year (2006) of \$200,000 have been met and obligations for the second and third year are on-going and discretionary to Ditem. Total exploration expenses to maintain the option are \$800,000 over the next two years. As of the date of this report, Ditem has incurred expenses in 2007 for ground geophysical surveys and other work for a total of some \$600,000 and Ditem plans to proceed with the Beartooth Project by undertaking drilling in 2007 as early as possible.

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 programs and development opportunities.

## 8. EXPLORATION EXPENSES AND USE OF PROCEEDS

During the Second Quarter, Ditem proceeded with exploration programs on its properties in both the Athabasca and Otish Basins.

In the Otish Basin on the Otish Uranium property, the company has completed airborne magnetic, radiometric and TEM survey and has begun its drilling program. At the time of writing this report, two holes have been drilled and a third is presently being drilled. The company plans to drill at least five holes before the end of the summer drilling season. Results of the present campaign are expected to be made known late September. The 43-101 on the Otish Uranium South property was completed in early May and the proposed exploration program reviewed. Exploration work on the Otish Uranium South property previously scheduled for June and July has been postponed until this fall in light of drilling and other work on the Otish Uranium property.

Work on the Beartooth and Cree Lake in the Athabasca Basin is continuing. During the Quarter, ground geophysics were completed on the Beartooth property and targets identified. Drilling originally proposed to

be undertaken using a barge-mounted drill rig has been postponed by the operator until this fall due to exorbitant costs related to barge operations. Drilling is now expected to be undertaken on Lake Athabasca during late fall or early winter and on ice. On the Cree Lake property, the V-Tem airborne survey was completed and reviewed. Ground geophysics will be undertaken as soon as possible and are scheduled for this fall.

The company's Quebec flow-through reserve was used for the exploration expenses on the Otish Uranium properties to the end of the Second Quarter. The program will continue with non flow-through funds. Similarly, flow-through funds for exploration work on the Athabasca Basin have also been completely used. To the end of the Second Quarter, the company has spent some \$ 1,706,226 on exploration programs on all properties.

### Flow-Through Reserve

	Flow-Through Reserve		
	CEE	CEE (Qc)	
Flow-Through Reserve December 31 <sup>st</sup> 2006	\$ 502,931	\$ 483,705	\$ 986,636
Flow-Through Exploration Expenses for the period ending June 30 <sup>th</sup> 2007	\$ 502,931	\$ 483,705	\$ 986,636
Flow-Through Reserve June 30 <sup>th</sup> 2007	\$ 0	\$ 0	\$ 0

The company has sufficient liquidities to carry out planned exploration programs and expects to spend a total of \$3 M to \$3.5 M on exploration in 2007. Variations in the exploration program are weather related.

Financing in 2007	Non Flow-Through	Flow-Through		Total
		CEE	CEE (Qc)	
January 2007 All shares at \$0.65 and half warrant at \$0.75 for non flow-through	\$ 2,750,150	\$ 0	\$ 0	\$2,750.150
	\$ 2,750,150	\$ 0	\$ 0	\$2,750,150

There were no financings in the Second Quarter, and none are planned for the present year. The only financing undertaken was in January of this year.

### 9. RELATED PARTY TRANSACTIONS

In consideration of management, company administration and direction, the CEO received a monthly fee of \$4,000 approved by the Board of Directors. As of May 1<sup>st</sup> 2007, the monthly fee was increased from \$4,000 to \$5,000 and approved by the Board of Directors. This increase is explained by the increase in the company's activities and managements needs. In light of objectives met and time spent on the China project, the Board granted a \$25,000 bonus to Ditem director Raymond Savoie.

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, 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. 3915671 Canada Inc. does not charge fees of any kind for this service nor does it produce any profit of any kind on operations, the company having been created solely to facilitate office administration and to reduce costs for office maintenance.

## **10. 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.

## **11. CHANGE IN ACCOUNTING POLICIES**

There were no changes in accounting policies.

## **12. INTERNAL CONTROLS OVER FINANCIAL REPORTING**

For the period ending on June 30<sup>th</sup> 2007, an evaluation was conducted under the supervision of the President and the Vice President Finance in collaboration with the Management of the company in regards to the efficiency of the internal accounting and administrative controls of information communication within the company. Relying on this evaluation, the President and Vice President Finance concluded that the design and utilization of these internal accounting and administrative controls were efficient on June 30<sup>th</sup> 2007 in order to provide reasonable assurance that the material financial information of the company is disclosed to them by other persons in the company, particularly during the period when interim reports are being prepared.

Management is responsible for and has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There were no changes in the company's internal control over financial reporting that occurred during the six month period ended June 30<sup>th</sup> 2007 that have materially affected, or are reasonably likely to materially affect the company's internal control over financial reporting.

## **13. OTHER**

Public company information is available on SEDAR at [www.sedar.com](http://www.sedar.com) or at the company's web site at [www.ditem.com](http://www.ditem.com).

All expenses related to properties and exploration programs were financed by Ditem and paid with Ditem funds.

#### 14. RISKS AND UNCERTAINTIES

Exploration and development in the mining sector involve significant financial risks. The success of the company will be influenced by a number of factors including financing, exploration risks, and environmental and other regulations. The company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

#### 15. SHARES, WARRANTS AND OPTIONS

As of June 30<sup>th</sup> 2007, the company has 41,681,985 shares in circulation, compared to 40,146,568 on March 31<sup>st</sup>. Fully diluted the company has 47,042,560 shares.

##### Share Issued During the Second Quarter

Share issuance	Note
1,445,417	Warrants exercised
90,000	Options exercised
-	Private Placement during Second Quarter
<b>1,535,417</b>	<b>Total shares issuance</b>

##### Total Shares Issued

Shares issued	Note
40,146,568	As of March 31 <sup>st</sup> 2007
<b>1,535,417</b>	<b>Total shares issuance in the Second Quarter of 2007</b>
<b>41,681,985</b>	<b>As of June 30<sup>th</sup> 2007</b>

##### Warrants not exercised

Warrants	Exercise Price	Date of Expiry
554,776	\$0.15	2008-04-05
67,500	\$0.48	2008-30-06
896,250	\$0.35	2008-12-11
1,399,999	\$0.60	2008-12-12
2,327,050	\$0.75	2009-01-26
<b>5,245,575</b>	<b>Total</b>	

##### Options to June 30<sup>th</sup> 2007 \*

Options	Exercise Price	Date of Expiry
125,000	\$0.35	2008-04-29
<b>125,000</b>	<b>Total</b>	

\* An aggregate of 1,500,000 options at \$0.97 were granted to directors and officers effective July 2007.

## 16. OUTLOOK

Ditem Explorations programs are proceeding as quickly as possible on both the Athabasca and the Otish Basin and are being adapted to results, costs and weather conditions. Preliminary results of the Otish drilling program will be made known as soon as completed. The company expects to continue its drilling program well into September and as late as weather conditions permit. Drilling on the Beartooth property in the Athabasca Basin is expected to occur in the Fourth Quarter, ice conditions permitting. On Cree Lake, ground geophysics and, if warranted, follow-up drilling is being prepared.

Company activities should increase substantially in the Third Quarter and be maintained well into the Fourth Quarter. To date, results from exploration programs are encouraging. Furthermore, discussions are proceeding with a potential Chinese partner for programs and new properties in the Athabasca Basin. It is expected that these discussions will reach a conclusion later this year.

The company is well financed and will have more than \$3 M left upon completion of this year's exploration programs, as initially planned. Sufficient funds will be available to accelerate any exploration program well into 2008 and meet development objectives.

Over the coming months, major fluctuations in market value may continue as our exploration programs and other objectives are being finalized. Recent market volatility and some variations in the price of uranium will also continue to affect our market value. However, above all, Ditem has excellent and important exploration properties in both key uranium areas, sound and promising projects as well as solid technical and drilling teams which should keep upward value increasing.

The directors of Ditem Explorations thank you for your continued support. We hope that the coming months will prove to be interesting and profitable for our shareholders.

August 20<sup>th</sup> 2007

(s) Raymond Savoie  
President