



Financial Statements of

**DITEM EXPLORATIONS INC.**

Years ended December 31, 2008 and 2007



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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of Ditem Explorations Inc. as at December 31, 2008 and 2007 and the statements of deferred expenditures, operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Montréal, Canada

March 20, 2009

# DITEM EXPLORATIONS INC.

Balance Sheets

December 31, 2008 and 2007

|   | 2008         | 2007          |
|---|--------------|---------------|
| <b>Assets</b>                               |              |               |
| Current assets:                             |              |               |
| Cash and cash equivalents                   | \$ 664,509   | \$ 436,975    |
| Short-term investments, 1.95% to 2.7%       | 64,227       | 3,141,252     |
| Accounts receivable                         | 228,043      | 1,336,309     |
| Deposits and prepaid expenses               | 8,715        | 3,410         |
|   | 965,494      | 4,917,946     |
| Property and equipment (note 4)             | 27,370       | 31,264        |
| Marketable securities (note 5)              | 179,364      | 444,910       |
| Mining properties (note 6)                  | 394,818      | 1,433,602     |
| Deferred exploration costs (note 6)         | 7,791,190    | 4,994,607     |
|   | \$ 9,358,236 | \$ 11,822,329 |
| <b>Liabilities and Shareholders' Equity</b> |              |               |
| Current liabilities:                        |              |               |
| Accounts payable and accrued liabilities    | \$ 125,648   | \$ 461,246    |
| Future income taxes (note 9)                | 369,000      | 582,000       |
| Shareholders' equity:                       |              |               |
| Capital stock (note 7)                      | 17,450,302   | 16,616,852    |
| Contributed surplus (note 8)                | 1,697,758    | 932,315       |
| Deficit                                     | (10,284,472) | (6,770,084)   |
|   | 8,863,588    | 10,779,083    |
| Subsequent event (note 13)                  |              |               |
|   | \$ 9,358,236 | \$ 11,822,329 |

See accompanying notes to financial statements.

On behalf of the Board:

(signed) Richard-Marc Lacasse \_\_\_\_\_ Director

(signed) Raymond Savoie \_\_\_\_\_ Director

# DITEM EXPLORATIONS INC.

## Statement of Deferred Expenditures

Year ended December 31, 2008, with comparative figures for 2007

|   | 2008                | 2007                |
|---|---------------------|---------------------|
| Balance, beginning of year              | \$ 4,994,607        | \$ 996,599          |
| Increase (decrease):                    |                     |                     |
| Diamond drilling                        | 3,107,733           | 1,120,358           |
| Surveying and geology                   | 233,100             | 2,672,842           |
| Geological work                         | 111,537             | 343,563             |
| Other                                   | 436,770             | 411,245             |
| Less resource tax credits               | (434,757)           | (550,000)           |
| Loss on write-down of mining properties | (657,800)           | -                   |
|   | <u>2,796,583</u>    | <u>3,998,008</u>    |
| Balance, end of year (note 6)           | <u>\$ 7,791,190</u> | <u>\$ 4,994,607</u> |

See accompanying notes to financial statements.

# DITEM EXPLORATIONS INC.

## Statement of Operations, Comprehensive Loss and Deficit

Years ended December 31, 2008, with comparative figures for 2007

|  | 2008            | 2007           |
|--|-----------------|----------------|
| Revenue:   |                 |                |
| Interest   | \$ 54,719       | \$ 178,360     |
| Gain on disposal of marketable securities                              | -               | 76,173         |
| Unrealized (loss) gain on marketable securities                        | (265,546)       | 12,211         |
|  | (210,827)       | 266,744        |
| Expenses:  |                 |                |
| Stock-based compensation (note 8)                                      | 765,443         | 570,825        |
| Professional fees  | 356,476         | 292,787        |
| Travel   | 267,931         | 170,788        |
| Office, trustee and reports to shareholders                            | 221,999         | 266,441        |
| Salaries and fringe benefits   | 53,125          | 48,982         |
| Rent and taxes   | 31,688          | 24,716         |
| Depreciation   | 6,515           | 4,807          |
| Financial  | 1,335           | 1,679          |
| Loss on write-down of mining properties and deferred exploration costs | 1,755,800       | -              |
|  | 3,460,312       | 1,381,025      |
| Earnings before the undernoted   | (3,671,139)     | (1,114,281)    |
| Future income taxes (note 9)   | (213,000)       | -              |
| Net loss and comprehensive loss  | (3,458,139)     | (1,114,281)    |
| Deficit, beginning of year   | (6,770,083)     | (4,188,324)    |
| Future income taxes arising from flow-through shares (note 9)          | -               | (582,000)      |
| Share issue expenses   | (56,250)        | (885,478)      |
| Deficit, end of year   | \$ (10,284,472) | \$ (6,770,083) |
| Loss per share, basic and diluted                                      | \$ (0.08)       | \$ (0.01)      |

See accompanying notes to financial statements.

# DITEM EXPLORATIONS INC.

## Statement of Cash Flows

Years ended December 31, 2008, with comparative figures for 2007

|  | 2008           | 2007           |
|--|----------------|----------------|
| Cash flows from operating activities:  |                |                |
| Net loss   | \$ (3,458,139) | \$ (1,114,281) |
| Adjustments for:   |                |                |
| Stock-based compensation   | 765,443        | 570,825        |
| Depreciation   | 6,515          | 4,807          |
| Gain on disposal of marketable securities  | -              | (76,173)       |
| Unrealized loss (gain) on marketable securities  | 265,546        | (12,211)       |
| Future income tax  | (213,000)      | -              |
| Loss on write-down of mining properties and deferred exploration costs                               | 1,755,800      | -              |
| Net change in non-cash operating working capital items   | 767,363        | (916,362)      |
|  | (110,472)      | (1,543,395)    |
| Cash flows from financing activities:  |                |                |
| Proceeds from share issuance   | 833,450        | 5,979,795      |
| Share issue expenses   | (56,250)       | (416,498)      |
|  | 777,200        | 5,563,297      |
| Cash flows from investing activities:  |                |                |
| Additions to fixed assets  | (2,621)        | (24,072)       |
| Purchase (disposal) of short-term investments  | 3,077,025      | (266,745)      |
| Proceeds from disposal of marketable securities  | -              | 91,773         |
| Mining properties  | (59,216)       | (40,754)       |
| Deferred exploration costs, net of government assistance and credits of \$434,757 (2007 - \$550,000) | (3,454,382)    | (3,998,008)    |
|  | (439,194)      | (4,237,806)    |
| Net decrease in cash and cash equivalents  | 227,534        | (217,904)      |
| Cash and cash equivalents, beginning of year   | 436,975        | 654,879        |
| Cash and cash equivalents, end of year   | \$ 664,509     | \$ 436,975     |
| Additional cash flow information:  |                |                |
| Share issue expenses representing cost of compensation warrants                                      | \$ -           | \$ 234,160     |
| Share issue expenses against the issue of capital stock  | -              | 234,820        |

See accompanying notes to financial statements.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements

Years ended December 31, 2008 and 2007

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Ditem Explorations Inc. (the "Company") was incorporated on November 26, 1993 under the Canada Business Corporations Act and commenced operations in January 1995. The Company holds interests in mining properties which are presently in the exploration stage and has not yet determined whether the properties contain reserves that are economically recoverable.

## 1. Nature of operations and going concern:

The Company is in a development stage and has mineral exploration and development properties in the provinces of Québec and Saskatchewan.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The ability of the Company to meet its commitments as they become payable, including the acquisitions of mineral properties and the development of projects, is dependent on the ability of the Company to obtain necessary financing. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete the acquisition, exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties.

The financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards of the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## 2. Changes in accounting policies:

### Effective in 2008:

Effective January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, *Capital Disclosures*, Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*.

Changes in accounting policies in conformity with these new accounting standards are as follows:

Section 1535 establishes disclosure requirements concerning (i) an entity's objectives, policies and processes for managing capital; (ii) the quantitative data about what the entity regards as capital; and (iii) whether the entity has complied with any capital requirements and the consequences of non-compliance with such capital requirements.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 2

Years ended December 31, 2008 and 2007

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## 2. Changes in accounting policies (continued):

### Effective in 2008 (continued):

Sections 3862 and 3863 consist of a comprehensive series of disclosure requirements and presentation rules applicable to financial instruments. They revise and enhance the disclosure requirements set out in Section 3861, *Financial Instruments - Disclosure and Presentation*, and carry forward unchanged the presentation requirements of Section 3861.

Section 3862 establishes disclosure requirements that enable users of financial statements to evaluate the significance of financial instruments for an entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

The adoption of the new standards impacted the Company's disclosures provided but has not affected the Company's results on financial position.

### *Future accounting pronouncements:*

#### (i) Goodwill and intangible assets:

In February 2008, the CICA issued Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and amends Section 1000, *Financial Statement Concepts*. The new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and other intangible assets subsequent to its initial recognition. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This new standard is applicable to fiscal years beginning on or after October 1, 2008 and the Company will be implementing it as of January 1, 2009.

The implementation of this new standard should not have a significant impact on the financial position or the results of the Company.

#### (ii) International financial reporting standards:

In February 2008, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to converge with IFRS and that public companies will be required to present their financial statements, with comparative data, under these standards for fiscal years beginning on or after January 1, 2011. The Company is currently evaluating the impact of these requirements on its financial statements.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 3

Years ended December 31, 2008 and 2007

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### 3. Significant accounting policies:

(a) Cash and cash equivalents:

Cash and cash equivalents include temporary investments with a maturity date of three months or less, and are stated at cost, which approximates market value.

(b) 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.

(c) Property and equipment:

Fixed assets are carried at cost. Depreciation is calculated using the diminishing balance method at the rate of 20%.

(d) Marketable securities:

Marketable securities are stated at fair value.

(e) Administrative expenses:

Administrative expenses are charged to operations as incurred.

(f) Stock-based compensation and other stock-based payments:

The Company adopted the new accounting recommendations published by the Canadian Institute of Chartered Accountants ("CICA") 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.

Notes to Financial Statements, page 4

Years ended December 31, 2008 and 2007

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## 3. Significant accounting policies (continued):

### (g) Income and mining taxes:

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying values and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date.

The Company renounces tax deductions relating to resource expenditures that are financed by the issuance of flow-through shares for the benefit of its shareholders, as permitted by the tax legislation.

Under the asset and liability method used to account for income taxes, future income taxes related to the temporary differences created by this renouncement are recorded in accordance with EIC-146 when the Company renounces its right to these deductions and a corresponding cost is also recorded as share issue expenses.

### (h) Resource tax credits:

The Company incurs exploration expenses that are eligible for tax credits. The tax credits are recorded based on the estimated amounts to be recovered. The amounts claimed are subject to an audit by the tax authorities.

Tax credits on exploration relating to mining and exploration assets are deducted from the related assets.

### (i) 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 expenses 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.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 5

Years ended December 31, 2008 and 2007

### 3. Significant accounting policies (continued):

(j) Financial instruments:

Sections 3855 and 3865 establish standards for recognizing and measuring financial assets, financial liabilities and derivatives. Under these standards, financial instruments are now classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or other financial liabilities and measurement in subsequent periods depends on their classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading. For other financial instruments, transaction costs are capitalized on initial recognition and presented as an adjustment to the underlying financial instruments. Financial assets and financial liabilities held-for-trading are measured at fair value with changes recognized in income. Available-for-sale financial assets are measured at fair value or at cost, in the case of financial assets that do not have a quoted market price in an active market, and changes in fair value are recorded in comprehensive income.

Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. The Company has classified its cash, short-term investments and marketable securities as held-for-trading. Accounts receivable were classified as loans and receivables. All of the Company's financial liabilities were classified as other financial liabilities.

### 4. Property and equipment:

|                     | 2008      |                          | 2007           |                |
|---------------------|-----------|--------------------------|----------------|----------------|
|                     | Cost      | Accumulated depreciation | Net book value | Net book value |
| Computer equipment  | \$ 32,245 | \$ 14,018                | \$ 18,227      | \$ 19,835      |
| Equipment and tools | 21,334    | 12,191                   | 9,143          | 11,429         |
|                     | \$ 53,579 | \$ 26,209                | \$ 27,370      | \$ 31,264      |

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 6

Years ended December 31, 2008 and 2007

## 5. Marketable securities:

|  | 2008       |           | 2007       |           |
|--|------------|-----------|------------|-----------|
|  | Fair value | Cost      | Fair value | Cost      |
| 90,000 common shares of Strateco Resources Inc. (90,000 in 2007) | \$ 53,100  | \$ 35,100 | \$ 266,500 | \$ 35,100 |
| 225,466 common shares of Gastem Inc. (225,466 in 2007)           | 112,733    | 24,946    | 153,317    | 24,946    |
| 49,202 common shares of Cadiscor Resources Inc. (49,202 in 2007) | 13,531     | -         | 25,093     | -         |
|  | \$ 179,364 | \$ 60,046 | \$ 444,910 | \$ 60,046 |

## 6. Mining properties and deferred exploration costs:

|               | 2008       |                           | 2007         |                           |
|---------------|------------|---------------------------|--------------|---------------------------|
|               | Properties | Deferred exploration cost | Properties   | Deferred exploration cost |
| Otish Uranium | \$ 272,049 | \$ 4,162,261              | \$ 213,033   | \$ 3,750,731              |
| Beartooth     | -          | 3,512,941                 | -            | 806,723                   |
| Cree Lake     | 122,000    | 115,988                   | 1,220,000    | 437,153                   |
| Hemmingford   | 769        | -                         | 569          | -                         |
|               | \$ 394,818 | \$ 7,791,190              | \$ 1,433,602 | \$ 4,994,607              |

(a) Otish Uranium property (Otish Uranium and Otish Uranium South):

The Company holds a 100% interest in the Otish Uranium property.

Matoush property:

Ditem also holds a 2% net smelter return royalty.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 7

Years ended December 31, 2008 and 2007

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## 6. Mining properties and deferred exploration costs (continued):

### (b) Beartooth property:

On January 20, 2006, Ditem signed a letter of agreement with Golden Valley Mines granting to Ditem the option to acquire a 66% interest in the Beartooth property. Ditem may acquire an interest of 50% by incurring exploration expenditures of \$1,000,000 within 3 years from the date of signature. The Company also issued 2,000,000 warrants that were exercised at \$0.10 each. Ditem will be able to increase its interest to 60% by incurring additional exploration expenditures of \$2,000,000 in the 4th year of the agreement.

Since January 2006, Ditem incurred exploration expenditures over \$3,000,000, now holds a 60 % interest in this property and is the operator.

Ditem can then further increase its interest by 6% by the deposit of a feasibility study within 10 years of the agreement.

### (c) Cree Lake property:

The Company holds a 100% interest in the Cree Lake property, subject to a net smelter return of 2%.

## 7. Capital stock:

Authorized:

An unlimited number of common shares without par value

|   | 2008          | 2007          |
|---|---------------|---------------|
| Issued:   |               |               |
| 46,773,085 common shares (45,008,085 in 2007)                 | \$ 17,450,302 | \$ 16,616,852 |
| Weighted average number of shares outstanding during the year | 45,889,523    | 41,548,366    |

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 8

Years ended December 31, 2008 and 2007

## 7. Capital stock (continued):

Issuance during the year:

|  | 2008              | 2007                |
|--|-------------------|---------------------|
| For cash:  |                   |                     |
| 1,500,000 shares (6,731,000 in 2007) pursuant to private placement   | \$ 750,000        | \$ 4,750,150        |
| 265,000 shares (3,616,580 shares in 2007) pursuant to exercise of warrants (including cost of warrants of \$180,958 in 2007) | 83,450            | 1,219,353           |
| No shares (285,000 shares in 2007) pursuant to exercise of options (including cost of options of \$155,679 in 2007)          | -                 | 346,929             |
|  | <u>\$ 833,450</u> | <u>\$ 6,316,432</u> |
| In exchange for services:  |                   |                     |
| No shares (423,100 in 2007)  | \$ -              | \$ 234,820          |

Share purchase warrants:

The Company has granted share purchase warrants in connection with several financing and could be required to issue shares as follows:

- 211,550 shares at \$0.75 until January 26, 2009 <sup>(i)</sup>
- 2,115,500 shares at \$0.75 until January 26, 2009
- 250,000 shares at \$0.80 until October 18, 2009 <sup>(i)</sup>

<sup>(i)</sup> The Company accounted for its compensation warrants issued during the year 2007 (461,550 shares) by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was \$0.5073 per warrant for a total value of \$234,160.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 9

Years ended December 31, 2008 and 2007

## 8. Stock option plan:

As at December 31, 2008, 4,441,744 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 options vest over a period of 18 months.

The number of stock options outstanding fluctuated as follows:

|                                  | 2008      | Average<br>exercisable<br>price | 2007      | Average<br>exercisable<br>price |
|----------------------------------|-----------|---------------------------------|-----------|---------------------------------|
| Balance, beginning of year       | 2,825,000 | \$ 0.81                         | 400,000   | \$ 0.59                         |
| Issued                           | 50,000    | 0.46                            | 2,710,000 | 0.83                            |
| Cancelled/expired                | (125,000) | 0.35                            | -         | -                               |
| Exercised                        | -         | -                               | (285,000) | 0.67                            |
| Balance, end of year             | 2,750,000 | \$ 0.82                         | 2,825,000 | \$ 0.81                         |
| Exercisable options, end of year | 2,487,500 | \$ 0.84                         | 1,060,000 | \$ 0.86                         |

As at December 31, 2008, the following options were outstanding and could be exercised:

1,500,000 shares at \$0.97 until February 9, 2012  
1,200,000 shares at \$0.65 until December 20, 2012  
25,000 shares at \$0.56 until January 28, 2013  
25,000 shares at \$0.36 until July 28, 2013

During the year ended December 31, 2008, the Company granted 50,000 stock options at a price from \$0.36 to \$0.56 per share. These options may be exercised on a cumulative basis over a period of 18 months. The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of stock options granted was \$0.413 per option. The following weighted average assumptions were used in these calculations:

|                         |                |
|-------------------------|----------------|
| Risk-free interest rate | 3.03% to 3.34% |
| Expected life           | 2 years        |
| Expected volatility     | 132 to 141 %   |
| Expected dividend yield | 0%             |

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 10

Years ended December 31, 2008 and 2007

## 8. Stock option plan (continued):

Contributed surplus

|  | 2008         | 2007       |
|--|--------------|------------|
| Balance, beginning of year             | \$ 932,315   | \$ 463,967 |
| Stock-based compensation               | 765,443      | 570,825    |
| Cost of compensation warrants          | -            | 234,160    |
| Cost of options and warrants exercised | -            | (336,637)  |
| Balance, end of year                   | \$ 1,697,758 | \$ 932,315 |

## 9. Income tax:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate at 30.09% (2007 - 32.02%) as a result of the following:

|  | 2008           | 2007           |
|--|----------------|----------------|
| Loss before taxes  | \$ (3,671,139) | \$ (1,114,281) |
| Computed "expected" tax recovery                                   | \$ (1,134,382) | \$ (356,792)   |
| Increase in income taxes resulting from:                           |                |                |
| Non-deductible stock-based compensation                            | 236,522        | 182,778        |
| Non-deductible unrealized loss                                     | 82,054         | -              |
| Valuation allowance  | 330,000        | 174,014        |
| Impact of decrease in income tax rate on future income tax balance | 485,806        | -              |
| Total income tax expenses  | \$ -           | \$ -           |

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 11

Years ended December 31, 2008 and 2007

## 9. Income tax (continued):

The income tax effect of temporary difference that gives rise to future tax assets and liabilities is as follows :

|                                   | 2008         | 2007         |
|-----------------------------------|--------------|--------------|
| Future tax assets:                |              |              |
| Operating loss carryforwards      | \$ 884,000   | \$ 517,000   |
| Share issue expenses              | 131,000      | 168,000      |
|                                   | 1,015,000    | 685,000      |
| Valuation allowance               | (1,015,000)  | (685,000)    |
|                                   | -            | -            |
| Future tax liabilities:           |              |              |
| Deferred exploration expenditures | (369,000)    | (582,000)    |
| Net future tax                    | \$ (369,000) | \$ (582,000) |

As at December 31, 2008, the Company has tax losses of approximately \$3,286,000 available to apply against future taxable income as follows:

| Expiry date | Amount     |
|-------------|------------|
| 2009        | \$ 472,000 |
| 2010        | 301,000    |
| 2014        | 221,000    |
| 2015        | 187,000    |
| 2026        | 279,000    |
| 2027        | 767,000    |
| 2028        | 1,059,000  |

The Company also has Canadian exploration expenditures of approximately \$6,818,000 which may be deducted from future taxable income.

The future tax benefit resulting from these items was not recorded.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 12

Years ended December 31, 2008 and 2007

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## 10. Related party transactions:

During the year, the Company paid its share of the cost of the lease and other office costs to a company controlled by a director of the Company in the amount of \$77,750 (2007 - \$71,346). These transactions were recorded at the exchange amount.

## 11. Financial instruments:

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

### (a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions. Cash equivalents consist of money market funds.

### (b) Interest rate risk:

The cash and cash equivalents bear interest at a variable rate and the Company is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

### (c) Liquidity risk:

Management serves to maintain a sufficient amount of cash and cash equivalents, and to ensure that the Company has at his disposal sufficient sources of financing such as private placements. The Company establishes cash budgets to ensure it has the necessary funds to fulfill its obligations. Being able to obtain new funds allows the Company to pursue its activities and even though the Company was successful in the past, there is no guarantee that it will succeed in the future.

# DITEM EXPLORATIONS INC.

Notes to Financial Statements, page 13

Years ended December 31, 2008 and 2007

## 11. Financial instruments (continued):

(d) Fair value:

The fair value of financial instruments is summarized as follows:

|  | 2008            |            | 2007            |            |
|--|-----------------|------------|-----------------|------------|
|  | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets:                        |                 |            |                 |            |
| Held-for-trading:                        |                 |            |                 |            |
| Cash and cash equivalents                | \$ 664,509      | \$ 664,509 | \$ 436,975      | \$ 436,975 |
| Marketable securities                    | 60,046          | 179,364    | 60,046          | 444,910    |
| Short-term investments                   | 64,227          | 64,227     | 3,141,252       | 3,141,252  |
| Loans and receivables:                   |                 |            |                 |            |
| Accounts receivable                      | 228,043         | 228,043    | 1,336,309       | 1,336,309  |
| Financial liabilities:                   |                 |            |                 |            |
| Other liabilities:                       |                 |            |                 |            |
| Accounts payable and accrued liabilities | 125,648         | 125,648    | 461,246         | 461,246    |

Fair value estimates are made at the balance sheet date, based on relevant market information and other information about financial instruments.

## 12. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

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## **12. Capital disclosures (continued):**

In the management of capital, the Company includes the components of shareholders' equity, cash and cash equivalents as well as short-term investments.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments. The Company does not use long-term debts since it does not generate operating revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last period.

## **13. Subsequent event:**

In March 2009, the Company renewed only two mining claims on the Cree Lake property and has not renewed its mining claims in Otish Uranium South.