



DITEM EXPLORATIONS INC.

Interim Financial Statements Quarter ended June 30, 2009 and 2008

Financial statements

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**Interim Financial Statements
As of June 30, 2009****Notice to reader of the Interim Financial Statements**

The Interim Financial Statements of DITEM EXPLORATIONS INC. (The "Company"), including the accompanying Interim Balance Sheet as at June 30, 2009 and the Interim Statements of Earning, Deficit, Contributed Surplus and Cash Flows for the six-month period then ended are the responsibility of the Company's management. These Financial Statements have not been audited or reviewed on behalf of the shareholders by the independent external auditors of the Company, KPMG SENCRL.

August 19, 2009

DITEM EXPLORATIONS INC.**Statement of Operations, Comprehensive Loss and Deficit**

(unaudited)

| | Three-month period ended June 30 | | Six-month period ended June 30 | |
|--|-------------------------------------|--------------------|-----------------------------------|--------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Revenue: | | | | |
| Interest | 1 187 | 6 509 | 2 721 | 30 610 |
| Unrealized gain on marketable securities | 3 459 | 447 603 | 14 985 | 305 396 |
| | <u>4 646</u> | <u>454 112</u> | <u>17 706</u> | <u>336 006</u> |
| Expenses: | | | | |
| Salaries and fringe benefits | 31 789 | 6 946 | 79 596 | 13 649 |
| Stock base compensation (Note 8) | | 12 500 | 82 370 | 12 500 |
| Professional fees | 59 066 | 99 173 | 96 035 | 137 384 |
| Office, trustee and reports to shareholders | 59 230 | 83 503 | 89 803 | 137 567 |
| Travel | 3 780 | 44 212 | 10 176 | 91 920 |
| Rent and taxes | 13 773 | 8 074 | 23 274 | 15 310 |
| Depreciation | 1 833 | 1 573 | 3 202 | 3 147 |
| Financial | 102 | 207 | 249 | 667 |
| | <u>169 573</u> | <u>256 188</u> | <u>384 705</u> | <u>412 144</u> |
| Profit (Loss) before gain on disposal marketable securities | (164 927) | 197 924 | (366 999) | (76 138) |
| Gain on disposal marketable securities | 20 517 | | 20 517 | |
| Net profit (loss) and comprehensive profit (loss) | (144 410) | 197 924 | (346 482) | (76 138) |
| Deficit, beginning of period | (10 379 225) | (7 044 146) | (10 284 472) | (6 770 084) |
| Share issue expenses | (78 333) | | (78 333) | |
| Cost of warrants expired (Note 7) | | | 107 319 | |
| Deficit, end of period | (10 601 968) | (6 846 222) | (10 601 968) | (6 846 222) |
| Loss per share, basic and diluted | (0,003) | (0,131) | (0,007) | (0,131) |
| Weighted average number of share outstanding | 47 467 529 | 52 148 384 | 47 467 529 | 52 148 384 |

See accompanying notes to financial statements.

DITEM EXPLORATIONS INC.

Statement of Cash Flows

(unaudited)

| | Three-month period ended June 30 | | Six-month period ended June 30 | |
|---|-------------------------------------|-----------------------|-----------------------------------|-----------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Cash flows from operating activities: | | | | |
| Net profit (loss) | (144 410) | 197 924 | (346 482) | (76 138) |
| Adjustements for: | | | | |
| Depreciation | 1 833 | 1 573 | 3 202 | 3 147 |
| Stock-based compensation | | 12 500 | 82 370 | 12 500 |
| Cost of stock-base option in exchange for services | 28 333 | | 36 308 | |
| Unrealized loss (gain) on marketable securities | (3 459) | (447 603) | (14 985) | (305 396) |
| Changes in working capital items: | | | | |
| Accounts receivable | 26 646 | 357 406 | 141 857 | 728 500 |
| Deposits and prepaid expenses | (24 056) | | (24 056) | |
| Accounts payable and accrued liabilities | 27 206 | (33 095) | (27 341) | (340 718) |
| | <u>(87 907)</u> | <u>88 705</u> | <u>(149 127)</u> | <u>21 895</u> |
| Cash flows from financing activities: | | | | |
| Proceed from share issuance | 500 000 | | 500 000 | 76 450 |
| Share issue expenses | (78 333) | | (78 333) | |
| | <u>421 667</u> | | <u>421 667</u> | <u>76 450</u> |
| Cash flows from investing activities: | | | | |
| Addition to fixed assets | (18 593) | | (18 593) | (430) |
| Purchase (Disposal) of short-term investments | (122) | 1 496 413 | (468) | 2 966 359 |
| Mining properties | (13 234) | (17 048) | (13 234) | (20 136) |
| Deferred exploration costs | (29 798) | (1 727 580) | (179 935) | (2 876 660) |
| Resource tax credits | 13 000 | | 35 000 | |
| | <u>(48 747)</u> | <u>(248 215)</u> | <u>(177 230)</u> | <u>69 133</u> |
| Increase (Decrease) in cash and cash equivalents | 285 013 | (159 510) | 95 310 | 167 478 |
| Cash and cash equivalents, beginning of period | 474 806 | 763 963 | 664 509 | 436 975 |
| Cash and cash equivalents, end of period | <u>759 819</u> | <u>604 453</u> | <u>759 819</u> | <u>604 453</u> |

See accompanying notes to financial statements.

DITEM EXPLORATIONS INC.

Balance Sheets

June 30, 2009 and December 31, 2008

| | 2009-06-30 | 2008-12-31 |
|---|-------------------------|-------------------------|
| | (Unaudited) | (Audited) |
| | \$ | \$ |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 759 819 | 664 509 |
| Short-term investments, 1.95% to 2.7% | 64 695 | 64 227 |
| Accounts receivable | 86 186 | 228 043 |
| Deposits and prepaid expenses | 32 771 | 8 715 |
| | <u>943 471</u> | <u>965 494</u> |
| Capital assets (Note 4) | 42 761 | 27 370 |
| Marketable securities (Note 5) | 194 349 | 179 364 |
| Mining properties (Note 6) | 408 052 | 394 818 |
| Deferred exploration costs (Note 6) | <u>7 936 125</u> | <u>7 791 190</u> |
| | <u>9 524 758</u> | <u>9 358 236</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | 98 307 | 125 648 |
| Future income taxes (Note 9) | 369 000 | 369 000 |
| Shareholders' Equity: | | |
| Share capital (Note 7) | 17 950 302 | 17 450 302 |
| Contributed surplus (Note 8) | 1 709 117 | 1 697 758 |
| Deficit | <u>(10 601 968)</u> | <u>(10 284 472)</u> |
| | <u>9 057 451</u> | <u>8 863 588</u> |
| | <u>9 524 758</u> | <u>9 358 236</u> |

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

June 30, 2009 and December 31, 2008

| | <u>2009-06-30</u> | <u>2008-12-31</u> |
|---|--------------------|-------------------|
| | <u>(Unaudited)</u> | <u>(Audited)</u> |
| | \$ | \$ |
| Balance, beginning of period | <u>7 791 190</u> | <u>4 994 607</u> |
| Increase (decrease) | | |
| Diamond drilling | 106 958 | 3 107 733 |
| Surveying and geology | | 233 100 |
| Geological work | 69 035 | 111 537 |
| Other | 3 942 | 436 770 |
| Less resource tax credits | (35 000) | (434 757) |
| Loss on write-down of mining properties | | (657 800) |
| | <u>144 935</u> | <u>2 796 583</u> |
| Balance, end of period | <u>7 936 125</u> | <u>7 791 190</u> |

See accompanying notes to financial statements.

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements

June 30, 2009 and December 31, 2008

(Unaudited)

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.

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.

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

2. Changes in accounting policies (continued):

Effective in 2008 (continued):

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 implemented 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) Convergence with International Financial Reporting Standards ("IFRS")

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that Ditem will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011. The Company is creating an implementation team, which will consist of internal resources and external consultants. A changeover plan is being established to convert to the new standards within the allotted timeline and is expected to consist of the following three key project phases:

1. Raise Awareness and Assess Phase
2. Design Phase
3. Implementation Phase

Phase 1: Raise Awareness and Assess

This first phase of the conversion project has two stages focusing firstly on raising awareness within the Entity and providing an initial assessment of the impact of the IFRS conversion, and secondly on carrying out a detailed assessment of the impact of the conversion to IFRS. Each section will be thoroughly reviewed and analyzed for accounting or disclosure differences between Canadian GAAP and IFRS. Once differences have been identified they will be reviewed for potential impacts to existing accounting policies, information systems and business processes. An action plan will then be developed for each impact area. This phase is currently underway.

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

2. Changes in accounting policies (continued):

(ii) Convergence with International Financial Reporting Standards ("IFRS") (continued)

Phase 2: Design

Following completion of the assessment phase, the focus of the design phase will build the tools required for the conversion based on management's decisions about accounting options and the related disclosures. During this phase, external consultants will assist the project team in designing the changes to be implemented relating to accounting and consolidation processes, information technology systems and other affected business aspects, including but not limited to, changes to contracts, key performance indicators, internal reporting. The design phase will also involve revisiting the communication and training strategies to be carried out during the implementation of IFRS and updating the operational and milestone plans, and an issues log for finalization of actions to be taken during the implementation phase.

Phase 3: Implementation

The implementation stage is about execution. The roll-out of the designed changes takes place during this phase:

This phase will accomplish

- Developing the new accounting policies, accounting manuals, guidelines, processes for reporting packages from business units, and consolidation templates;
- Preparing the IFRS financial statements and related disclosures including facilitating and supporting the dry run financial reporting process;
- Developing revised internal control processes, including updating the key controls for NI 52-109 purposes.
- All phases are expected to be completed by December of 2009 in order to facilitate comparative reporting for the first quarter of 2010.

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, 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 writedowns are necessary.

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

3. Significant accounting policies (continued):

(b) Mining properties and deferred exploration costs: (continued)

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) Capital assets:

Capital 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 charges to operating 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 in exchange for goods and services. Effective as of January 1, 2004, the Company uses the fair value method to record the stock options granted to all participants.

(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.

(g) Income and mining taxes (continued):

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.

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

3. Significant accounting policies (continued):

(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 costs relating to mining and exploration assets are deducted from the related asset.

(i) Use of estimates:

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 gas and exploration assets. Consequently, actual results could differ from those estimates.

(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. Capital assets:

| | 2009-06-30 (Unaudited) | | | 2008-12-31 (Audited) |
|------------------------|------------------------|-----------------------------|-------------------|-------------------------|
| | Cost | Accumulated depreciation | Net book Value | Net book Value |
| | \$ | \$ | \$ | \$ |
| Computer equipment | 32 245 | 15 840 | 16 405 | 18 227 |
| Equipment and tools | 21 333 | 13 105 | 8 228 | 9 143 |
| Leasehold improvements | 18 593 | 465 | 18 128 | |
| | <u>72 171</u> | <u>29 410</u> | <u>42 761</u> | <u>27 370</u> |

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

| 5. Marketable securities: | 2009-06-30 (Unaudited) | | 2008-12-31 (Audited) | |
|--|------------------------|---------------|----------------------|---------------|
| | Fair value | Cost | Fair value | Cost |
| | \$ | \$ | \$ | \$ |
| 90 000 common shares of Strateco Resources Inc. | 82 800 | 35 100 | 53 100 | 35 100 |
| 225 466 common shares of Gastem Inc. | 87 932 | 24 946 | 112 733 | 24 946 |
| 49 202 common shares of Cadiscor Resources Inc. (i) | | | 13 531 | |
| 8 316 actions ordinaires de North American Palladium (i) | 23 617 | | | |
| | <u>194 349</u> | <u>60 046</u> | <u>179 364</u> | <u>60 046</u> |

(i) As at June 1, 2009, the Company sold 24,000 common shares of Cadiscor for an amount of \$20,517 and exchanged 25,202 common shares of Cadiscor for 8,316 common shares of North American Palladium.

6. Mining properties and deferred exploration costs:

Mining properties:

| | 2008-12-31 (Audited) | Acquisition (Unaudited) | Resource Tax credit (Unaudited) | 2009-06-30 (Unaudited) |
|----------------|-------------------------|----------------------------|---------------------------------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Otish Mountain | 272 049 | 5 760 | | 277 809 |
| Cree Lake | 122 000 | 7 474 | | 129 474 |
| Hemmingford | 769 | | | 769 |
| | <u>394 818</u> | <u>13 234</u> | | <u>408 052</u> |

Deferred exploration costs:

| | 2008-12-31 (Audited) | Acquisition (Unaudited) | Resource Tax credit (Unaudited) | 2009-06-30 (Unaudited) |
|----------------|-------------------------|----------------------------|---------------------------------------|---------------------------|
| | \$ | \$ | \$ | \$ |
| Otish Mountain | 4 162 261 | 3 942 | (788) | 4 165 415 |
| Beartooth | 3 512 941 | 106 958 | (20 405) | 3 599 494 |
| Cree Lake | 115 988 | 69 035 | (13 807) | 171 216 |
| | <u>7 791 190</u> | <u>179 935</u> | <u>(35 000)</u> | <u>7 936 125</u> |

(a) Otish Mountain property (Otish Uranium):

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 Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

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

| Issued: | 2009-06-30 (Unaudited) | | 2008-12-31 (Audited) | |
|---|------------------------|-------------------|----------------------|-------------------|
| | Number | \$ | Number | \$ |
| Common shares: | | | | |
| Balance, beginning of period | 46 773 085 | 17 450 302 | 45 008 085 | 16 616 852 |
| For cash: | | | | |
| Private placement | 4 166 666 | 500 000 | 1 500 000 | 750 000 |
| Exercise of warrants | | | 265 000 | 83 450 |
| Balance, end of period | <u>50 939 751</u> | <u>17 950 302</u> | <u>46 773 085</u> | <u>17 450 302</u> |
| Weighted average number of outstanding shares | <u>47 467 529</u> | | <u>45 889 523</u> | |

During the six-month period ended June 30, 2009, 4,166,666 flow-through shares was issued for \$0.12 per share.

Share purchase warrants:

The Company has granted share purchase warrants and agent options could be required to issue shares as follows:

| Number | Basic price | Expiry date |
|-----------|-------------|----------------------|
| 250 000 | \$0.80 | October 18, 2009 (i) |
| 166 666 | \$0.20 | June 9, 2010 (ii) |
| 2 083 333 | \$0.20 | June 9, 2010 |
| 333 332 | \$0.12 | June 9, 2010 |

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

7. Capital stock: (continued)

During the six-month period ended June 30, 2009, 2,249,999 warrants was granted for an exercise price of \$0,20 per warrant for a 12-month-period following June 9, 2009.

- (i) 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. An amount of \$107,319 is deducted from contributed surplus following expired date of 211,550 warrants as of January 26, 2009.
- (ii) The company accounted for its compensations warrants issued by using the Black-Scholes pricing model. At the date of the grant, the fair value of warrants granted was \$0,05 per warrant for a total value of \$8,333.

8. Stock option plan:

As at June 30, 2009, 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 outstanding stock options fluctuated as follows:

| | <u>2009-06-30 (Unaudited)</u> | | <u>2008-12-31 (Audited)</u> | |
|------------------------------|-------------------------------|--|-----------------------------|--|
| | <u>Number</u> | <u>Average exercisable price</u> | <u>Number</u> | <u>Average exercisable price</u> |
| Balance, beginning of period | 2 750 000 | 0,82 | 2 825 000 | 0,81 |
| Issued | 1 157 832 | 0,14 | 50 000 | 0,46 |
| Expired | | | (125 000) | 0,35 |
| Balance, end of period | <u>3 907 832</u> | <u>0,62</u> | <u>2 750 000</u> | <u>0,82</u> |

The features of the outstanding stock options as at June 30, 2009 are as follow:

| <u>Number</u> | <u>Basic price</u> | <u>Expiry date</u> |
|------------------|------------------------|------------------------|
| 1 500 000 | \$0,97 | February 9, 2012 |
| 1 200 000 | \$0,65 | December 20, 2012 |
| 25 000 | \$0,56 | January 28, 2013 |
| 25 000 | \$0,36 | July 28, 2013 |
| 25 000 | \$0,19 | January 28, 2014 |
| 799 500 | \$0,15 | March 27, 2019 |
| <u>3 574 500</u> | | |

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

8. Stock option plan: (continued)

During the six-month period ended June 30, 2009, the Company granted 1,157,832 stock options at a price of \$0.12, \$0.15 and \$0.19 per share. These stock options may vest for one, five and ten years period. The fair value of each option granted was determined using the Black-Scholes option pricing model. At the date of the grant, this average fair value of stocks options granted was \$0.14 per option. The Company accounted 333,332 stock options as finder's fee for an amount of \$20,000.

The following weighted assumptions were used in this calculation:

| | |
|-------------------------|--------------------------|
| Risk-free interest rate | 1,96 %, 3,56 % et 3,82 % |
| Expected life | 2 years |
| Expected volatility | 132 % et 176 % |
| Expected dividend yield | 0 % |

| Contributed surplus: | 2009-06-30 (Unaudited) | 2008-12-31 (Audited) |
|--|---------------------------|-------------------------|
| | \$ | \$ |
| Balance, beginning of period | 1 697 758 | 932 315 |
| Stock-based compensation | 82 370 | 765 443 |
| Cost of stock-base option in exchange for services | 36 308 | - |
| Cost of warrants expired (Note 7) | (107 319) | - |
| Balance, end of period | 1 709 117 | 1 697 758 |

9. Income tax:

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

| | 2009-06-30 (Unaudited) | 2008-12-31 (Audited) |
|---|---------------------------|-------------------------|
| | \$ | \$ |
| Loss before taxes | (346 482) | (3 671 139) |
| Computed "expected" tax recovery | (104 256) | (1 134 382) |
| Increase in income taxes resulting from: | | |
| Non deductible stock-based compensation | 82 370 | 236 522 |
| Non deductible unrealized loss | | 82 054 |
| Valuation allowance | | 330 000 |
| Impact of decrease in income tax rate on futur income tax balance | 21 886 | 485 806 |
| Total income tax expenses | - | - |

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

| | | |
|-----------------------------------|-------------|-------------|
| Future tax assets: | | |
| Operating loss carryforwards | 884 000 | 884 000 |
| Share issuing expenses | 131 000 | 131 000 |
| | 1 015 000 | 1 015 000 |
| Valuation allowance | (1 015 000) | (1 015 000) |
| | - | - |
| Future tax liabilities | | |
| Deferred exploration expenditures | (369 000) | (369 000) |
| Net future tax | (369 000) | (369 000) |

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

9. Income tax: (continued)

As at June 30, 2009, the Company has tax losses of approximately \$3,535,127 (\$3,286,000 : 2008-12-31) available to apply against future taxable income as follows:

| Expiry date | 2009-06-30 | 2008-12-31 |
|-------------|------------------|------------------|
| | (Unaudited) | (Audited) |
| | \$ | \$ |
| 2009 | 472 000 | 472 000 |
| 2010 | 301 000 | 301 000 |
| 2014 | 221 000 | 221 000 |
| 2015 | 187 000 | 187 000 |
| 2026 | 279 000 | 279 000 |
| 2027 | 767 000 | 767 000 |
| 2028 | 1 059 000 | 1 059 000 |
| 2029 | 249 127 | |
| | <u>3 535 127</u> | <u>3 286 000</u> |

The Company also has Canadian exploration expenditures of approximately \$6,948,000 (\$6,818,000 in 2008) which may be deducted from future income.

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

10. Related party transactions:

During the six-month period ended June 30, 2009, 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 for an amount of \$22,410. 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.

DITEM EXPLORATIONS INC.

Notes to Interim Financial Statements (continued)

June 30, 2009 and December 31, 2008

(Unaudited)

11. Financial instruments: (continued)

(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.

(d) Fair value:

The fair value of financial instruments is summarized as follows:

| | 2009-06-30 (Unaudited) | | 2008-12-31 (Audited) | |
|--|------------------------|------------|----------------------|------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | \$ | \$ | \$ | \$ |
| Financial assets: | | | | |
| Held-for-trading: | | | | |
| Cash and cash equivalents | 759 819 | 759 819 | 664 509 | 664 509 |
| Short-term investments | 64 695 | 64 695 | 64 227 | 64 227 |
| Marketable securities | 60 046 | 194 349 | 60 046 | 179 364 |
| Loans and receivables: | | | | |
| Accounts receivable | 86 186 | 86 186 | 228 043 | 228 043 |
| Financial liabilities: | | | | |
| Other liabilities: | | | | |
| Accounts payable and accrued liabilities | 98 307 | 98 307 | 125 648 | 125 648 |

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 sufficient working capital to meet its ongoing obligations and to pursue potential investments.

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.