



**DECISION DYNAMICS**  
TECHNOLOGY

2008

ANNUAL REPORT





**DECISION DYNAMICS**  
TECHNOLOGY

Decision Dynamics Technology Ltd. is a leading provider of an innovative project controls and real time operations reporting solutions to the energy sector, including major electrical power companies.

Its flagship product, Oncore™, is a project cost management solution that provides high volume, real-time capture of field labor, equipment, and material cost information, contract validation and approvals for operations management and capital projects. Oncore™ unifies the project data, information, and knowledge needed for complete project visibility thereby enabling better faster project management decisions. Decision Dynamics is a Microsoft Gold Certified Partner.

The Company's head office is located in Calgary, Alberta, Canada. It operates a wholly-owned foreign subsidiary in the United States. Decision Dynamics trades on the TSX Venture Exchange under the symbol "DDY".

For more information visit [www.ddytech.com](http://www.ddytech.com)

**Financial Highlights**

	Three Months Ending		Twelve Months Ending	
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2008	Dec 31, 2007
\$'000 except per share amounts				
<b>Operating Results</b>				
Revenue	549	851	2,212	4,002
Expenses	1,149	1,283	4,301	5,217
Gross profit	375	578	1,194	2,630
Gross margin	68%	68%	54%	66%
(Loss) before discontinued operations	(682)	(618)	(3,003)	(1,316)
Net Income (Loss)	(660)	(588)	254	(1,584)
(Loss) per share, before discontinued operations	(0.01)	(0.01)	(0.05)	(0.02)
Net Income (Loss per share), after discontinued operations	(0.01)	(0.04)	0.004	(0.03)
<b>EBITDAS</b>	(589)	(440)	(1,930)	(951)
Income (loss) from discontinued operations	-	-	(277)	(268)
<b>Financial Position</b>				
Cash			3,815	1,107
Working capital			4,064	1,290
Total assets			5,391	6,148

## **Table of Contents**

---

Chairman's Message	1
Chief Executive Officer's Message	2
Management Discussion and Analysis	3
Management's Report	15
Auditors' Report	15
Financial Statements	16
Notes to Financial Statements	19

## *Chairman's Message to Shareholders*


2008 was a year of considerable change for your Company. In September, we sold the Wellcore business to P2ES Holdings Inc., the parent company of P2 Energy Solutions, a large, Denver-based company operating in the same general field. The price negotiated was fair and reasonable.

This left Decision Dynamics free to focus on the Oncore business and an exciting opportunity to develop a product/market with considerable potential. The future of Oncore looks very encouraging even in this difficult period when the world's economies, large and small are facing serious problems caused by an unprecedented combination of greed, injudicious risk, unwary and unsophisticated home buyers, and inadequate regulation. What began in the U.S. spread quickly around the world.

Oncore has the serious potential to cut customer costs and improve operational effectiveness in each of several industries. This is especially attractive when profit improvement is hard to come by, as is currently the case. Our CEO, Justin Zinke, and his dedicated team have developed a carefully-crafted business plan to develop successfully this promising business.

Your board of directors is strongly supportive of management and of the direction in which your company is now headed. And we are optimistic - though cautiously so, because of macro-level recessionary conditions - that DDY will move from a loss in 2008 to a modest profit in 2009 and with reasonable expectations of further improvement in subsequent years.

Sincerely,

A handwritten signature in black ink that reads "Wm. A. Dimma" followed by a horizontal line.

Wm. A. (Bill) Dimma  
Chairman

## *Chief Executive Officer's Message to Shareholders*

Decision Dynamics began 2008 with two major product lines, Wellcore and Oncore™. Although we experienced revenue growth of over 20% and made cost reductions of over 25% during 2007, the company entered 2008 with limited funds and ongoing monthly debt payments. To maintain and grow the business it was important to continue investing in the sales, marketing, and development aspects of each product. As the equity and credit markets tightened during 2008, the company made a decision to divest its Wellcore business and use the proceeds to grow the Oncore™ business. In September of 2008, the company completed the sale of Wellcore, received \$4.8 Million with another \$0.5 Million holdback to be received during 2009, and eliminated its outstanding debt.

With the successful divestment of the Wellcore business our markets, competitors, technical focus, value propositions, and financial situation have all changed. Decision Dynamics believes it can now pursue many opportunities we see for the Oncore™ business. To be successful we need to do three things well: 1. market, 2. develop, and 3. sell Oncore™. Our 2009 strategic plan focuses on creating an Oncore™ centric marketing infrastructure, extending and building upon many of the high value and unique capabilities of our Oncore™ product, and establishing a sales infrastructure for delivering strong sales growth. Many of the programs set forth in the strategic plan and approved by the Board of Directors are well underway and beginning to deliver results.

The marketing program focuses on increasing awareness of Oncore™ and leveraging ROI based success stories. The company's messaging has been tightly refocused upon the project controls and operations reporting market space. Oncore™ allows companies to accurately capture, validate, and approve project cost and budget information in near real time. Within hours of consuming a resource, detailed reports are available giving a project team the capability to visualize, analyze, and make project decisions in near real time. Without Oncore™, the process of reporting project costs, understanding progress, and invoicing can take in excess of 45 days. The savings due to accurate, same day information using Oncore™ has been indicated by several clients to be in the range of 10 to 15 percent of project spend.

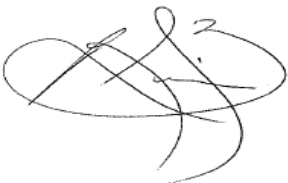
From a development perspective, Oncore™ is a solid product. The product has a modern three tier architecture (data base, middleware, interface) and is scalable to meet the needs of very large organizations. With focus on dramatically reducing the time and development cost for enhancing and extending the capabilities of Oncore™, Decision Dynamics has adopted Microsoft's development environment and is using off-the-shelf technology components. These changes are intended to enhance the usability of the information captured by our products, dramatically increase the value proposition for their use, and provide operations visibility across the organization at an executive level. Key to this initiative has been the addition of several high performance development resources as well as a change in our development process. Further infrastructure investments have been made to enable our clients to monitor and evaluate new capabilities as they are being added. These changes are intended to allow Decision Dynamics to use our speed of development as a strategic competitive advantage.

As part of our 2009 strategic plan Decision Dynamics has invested heavily in developing its sales organization. We believe the need for cost control and productivity improvement type solutions should increase during an economic downturn. The organization currently has more resources devoted to Oncore™ Sales, Marketing, and Business Development than at any other time since the company went public. We have adopted a well proven sales methodology that focuses on identifying and delivering documented value to our clients. This process is helping us to establish a strong pipeline even in these challenging economic times. The company is also in the process of setting up a number of channel relationships with major consulting companies that are involved in project consulting or the supply of ERP systems to companies involved with projects.

In recognition of the economic environment, Decision Dynamics is transitioning to a monthly fee based Software as a Service (SaaS) business model going forward and away from the seat based license model that was used by Wellcore and Decision Dynamics since early 2006. From the client's perspective, a series of monthly payments is often preferable to a large up front cash payment. For Decision Dynamics, the SaaS model delivers less cash over the first few months of a contract, but provides smoother revenue growth, more revenue over time, and helps to decrease the barrier to revenue growth within an account. The transition will take place over the next two year period. From a shareholder perspective, the market has been valuing positive cash flow SaaS based businesses more than comparable seat based software businesses. Looking out over the year, Decision Dynamics cautiously believes that the above initiatives will allow the company to achieve a modest profit in 2009 and continue to improve its financial performance as the economy begins to recover.

In closing, I would like to extend a thank you to our employees and our board members for their hard work and dedication in 2008. I would also like to thank our customers, partners and shareholders for their ongoing support of Decision Dynamics. All of us at Decision Dynamics look forward to delivering growth and profitability in 2009.

Sincerely,



R.J. (Justin) Zinke  
Chief Executive Officer

**April 6, 2009**

## **Management Discussion and Analysis**

The Management Discussion and Analysis focuses on key items from the audited Consolidated Financial Statements for the twelve month periods ended December 31, 2008 and 2007 and 2006. These statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Such additional information is not incorporated by reference herein and should not be deemed to be made part of this Management Discussion and Analysis, except as indicated herein.

## **Forward-Looking Statements or Information**

In this Management Discussion and Analysis the Company makes forward-looking statements or provides forward looking information (collectively "forward-looking statements"). These forward-looking statements include but are not limited to comments with respect to objectives and strategies, financial condition, results of operations and industry conditions. By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that such forward-looking statements will not be achieved. Some of the material assumptions that Management has made are:

- the condition of the financial markets will remain at current levels for the foreseeable future
- customers, new and existing, will continue to acquire and expand their use of project cost control and productivity improvement software
- we will continue to be able to attract, motivate and retain talented employees at a sufficient level to achieve our strategic plans

Readers of this analysis are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause actual results to differ materially from the plans, objectives and intentions expressed in such forward-looking statements. The Operating Risks section of this Management Discussion and analysis provides additional information regarding key factors that could cause actual results to differ materially from those projected in our forward-looking statements. Some of the key factors we have considered are:

- impact of the current financial markets condition
- impact of market demand for Oncore™ on revenue growth
- degree of competition in target markets
- our ability to control expenses
- technological changes to Oncore™
- length of sales cycle required to close customer opportunities
- our ability to execute our strategic plans
- our ability to recruit and retain high caliber employees

We caution that the foregoing list of factors is not exhaustive and that, when relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors as well as other uncertainties and events. The forward-looking statements contained herein represent our expectations as of April 6, 2009 and, accordingly, are subject to change after such date. The Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether written or verbal, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

**Decision Dynamics Technology Ltd.**  
Management Discussion and Analysis

**Financial Highlights (restated to reflect continuing operation only)**

Stated in thousands of Canadian dollars except per share amounts

\$'000 except per share amounts	Three months ending			Year Ending		
	Dec. 31, 2008	Dec. 31, 2007	Dec 31, 2006	Dec. 31, 2008	Dec. 31, 2007	Dec 31, 2006
<b>Operating Results</b>						
Revenue	549	851	1,433	2,212	4,002	2,577
Net income (loss)	(682)	(618)	139	(3,003)	(1,316)	(1,936)
before discontinued operations						
Basic and diluted income (loss) per share, before discontinued operations	(0.01)	(0.01)	0.002	(0.05)	(0.02)	(0.04)
Basic and diluted income (loss) per share, after discontinued operations	(0.01)	(0.04)	(0.02)	0.004	(0.03)	(0.10)
<b>EBITDAS</b> <sup>(1)</sup>	(589)	(337)	423	(1,930)	(951)	(1,627)
<b>Financial Position</b>						
Cash and equivalents				3,815	1,107	1,044
Working capital (2)				4,064	1,290	201
Total assets				5,391	6,148	7,311

- (1) "EBITDAS" means earnings from continuing operations before interest, taxes, depreciation, amortization, loss on sale of assets, gain on sale of discontinued operations and stock compensation. The derivation of EBITDAS is shown in the Results of Operations section below.
- (2) "Working capital" means current assets less current liabilities. The calculation of working capital is disclosed in the Liquidity and Capital Resources section found later in this Management Discussion and Analysis.
- (3) Readers are cautioned that EBITDAS and working capital do not have a standardized meaning under GAAP and may not be comparable to other entities in the industry; however, the Company believes it is an important indicator of success for software businesses and is relevant to readers within the investment community.

**Overview**

Decision Dynamics, a public company incorporated under the laws of Canada, markets Oncore™, a software product and services targeted primarily at the energy sector including major power generation and transmission companies. This innovative project cost control software captures, routes, and reports critical information at every level of the company making business processes faster and more reliable.

Decision Dynamics is a Microsoft Gold Certified Partner with over twenty years of experience in the energy industry. It operates a wholly-owned foreign subsidiary in the United States of America.

**Strategy and Outlook**

This section is forward-looking by nature. It is qualified in its entirety by the Forward Looking Statements or Information disclaimer at the beginning of this Management Discussion and Analysis. It is further qualified by the Operating Risks section at the end of this Management Discussion and Analysis.

2008 was a year of significant change for the Company. The Company began the year with two product lines - Wellcore and Oncore™, operations in Calgary, Edmonton and Houston, \$1.1 million in cash and equivalents, and \$522,189 in outstanding debt.

A component of the Company's strategic plan was to investigate the sale of part or all of the business, to ensure there would be sufficient time to obtain bottom-line profitability. The Company began negotiations with P2ES Canada Inc. for the sale of the Wellcore product line which included all of the Wellcore software, all applicable intellectual property including intangibles and goodwill, accounts receivable, deferred revenues and marketing and other materials.

## Decision Dynamics Technology Ltd.

### Management Discussion and Analysis

---

On September 16, 2008, the Company completed the sale of the Wellcore product line, which provided the Company with approximately \$4.8 million, composed of the purchase price of \$5.0 million plus receivables less deferred revenue. A holdback of \$0.5 million will be paid to the Company during the year, subject to certain conditions. Subsequent to December 31, 2008, approximately \$150,000 of this holdback has been received by the Company.

With the sale of the Wellcore product, the Company was able to undertake further personnel restructuring as the business realigned its labour and facility requirements to a single product company. Over the last two quarters of the year, the Houston office was closed down, and the Edmonton office was downsized.

At the close of 2008, the Company had divested the Wellcore product and the associated staff, had reduced staff and related expenses, had closed the Houston office and restructured the Edmonton facility, had eliminated all debt and had \$3.8 million in cash and equivalents. The reduction from two product lines to one, and related reduction of all personnel and facility has allowed the Company achieve a reduction in total continuing company expenses, including cost of sales, of 18% in 2008. This expense savings would be even higher, as there were many one-off expenses included in 2008, such as restructuring expenses related to termination packages, hiring of new sales and development personnel and facility closure expenses related to Edmonton and Houston. The sale of Wellcore will allow the Company to focus on a single product line, and make the appropriate investments to grow the Company. With a larger, more focused sales team and a stronger, more advanced product, the Company believes this will result in the generation of higher new license and services revenues.

Although 2008 new license and service revenues were less than those of 2007, the recurring revenue base increased over 2007. 2008 revenue levels reflect a much smaller staff focused on Oncore™ sales with a reduced marketing component, as the Company scaled back on expenses early in the year.

After the sale of Wellcore, the Company began its initiative to start strategically positioning Oncore™ as the leading innovative knowledge capture, workflow management, reporting and analytics software solution to the energy sector. The influx of cash from the sale allowed the Company to execute on its first strategic objective of building a dynamic and cohesive sales force. During the third quarter, the Company hired Jason MacVicar as Executive Vice President of Sales, as the first step in this initiative. Mr. MacVicar has developed a customer centric focused team, concentrating on targeting new growth opportunities for Oncore™, as well as increasing the implementation of Oncore™ within the Company's existing customer base. The Company feels this initiative is critical to the future success of the organization, and is anticipating this will result in higher sales, a shorter sales cycle and overall greater customer satisfaction. The Company intends to expand on this initiative through the adoption of a methodical sales and marketing process that focuses on expanding the Oncore™ customer base as well as increasing the customer awareness of Oncore™ within targeted industries.

The Company further executed on its second strategic objective, which is to develop additional high value capability for the Oncore™ product. During the fourth quarter, the Company recruited Chris Ronak as the Vice President of Product Development. Under Mr. Ronak's leadership, a development team with a strong technical background has been assembled, and has put forward planned improvements and advancements to the current Oncore™ technology. In addition, the Company initiated a Customer Satisfaction initiative which will see the Company launch new internal and external practices designed to ensure that customers are highly satisfied with the Company and the product.

Despite the fact that the Company has sufficient cash to fund its current operations and to execute on our strategic initiatives, we intend to maintain a strategic and conservative approach, and will look to generate positive cash flow from operations. The Company's ability to be successful in generating bottom line profitability and positive cash flow from operations will continue to be contingent upon the increased acceptance of the Oncore™ product and expanding its overall customer base. Continuing efforts are being made to monitor current expenses, and align future spending with expected revenue. If the Company sales initiatives do not result in an increased acceptance of our product, and a higher revenue stream, than further restructuring, including the possible sale of the Company, may become necessary

## **Accounting Policies**

### **(a) Basis of Presentation**

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities and commitments in the normal course of business.

As of the transaction date of September 16, 2008, the Company has restated all periods and all information to present only the revenues and expenses attributable to the Oncore™ product line.

### **(b) Significant accounting policies**

The consolidated financial statements for the three and twelve months ended December 31, 2008 include the accounts of the Company and its wholly-owned US subsidiary, Decision Dynamics Technology Inc. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the fiscal year ended December 31, 2007, except as noted below.

### **(c) New accounting policies**

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and 3863, Financial Instruments – Presentation. The new standards have been adopted on a prospective basis with no restatement of prior periods. Section 1535 requires additional disclosures regarding the Company's capital management, while Section 3862 addresses financial instruments and the nature, extent and management of risks arising from financial instruments to which the Company may be exposed. The adoption of Section 3863 had no effect on the presentation of the Company's financial instruments.

### **(d) Recent accounting pronouncements**

In February 2008, the Accounting Standards Board (AcSB) confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. We have not completed our assessment of the impact of the convergence of Canadian GAAP with IFRS on our results of operations, financial position and disclosures and therefore the impact of the transition to IFRS from GAAP on the Company's financial statements is not yet determinable. The Company intends to complete the assessment of the impact and make appropriate plans to ensure successful implementation within the required timeframe.

**Results of Operations (restated to reflect continuing operation only)**

\$ '000 except per share amounts	Three Months Ending			Year Ending		Dec 31, 2006
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	
<b>Revenue</b>	549	851	1,433	2,212	4,002	2,577
<b>Expenses</b>	1,147	1,263	1,117	4,301	5,217	4,550
	(598)	(412)	316	(2,089)	(1,215)	(1,973)
Other (amortization, interest, other)	(82)	(206)	(177)	(914)	(101)	(38)
Income tax recovery	-	-	-	-	-	-
<b>Loss before discontinued operations</b>	(680)	(618)	139	(3,003)	(1,316)	(2,011)
Other and income taxes	82	206	177	914	101	38
Non-cash share compensation	9	75	107	159	264	346
<b>EBITDAS</b>	(589)	(337)	423	(1,930)	(951)	(1,627)
<b>Basic and diluted income (loss) per share, before discontinued operations</b>	(\$0.01)	(\$0.01)	\$0.002	(\$0.05)	(\$0.02)	(\$0.04)
<b>Basic and diluted income (loss) per share, after discontinued operations</b>	(\$0.01)	(\$0.04)	(\$0.02)	\$0.004	(\$0.03)	\$0.10
Weighted average number of common shares outstanding	60,212	60,202	51,625	60,212	56,081	51,590

2008 was a challenging year for generating new revenue, with a much smaller sales staff available to drive Oncore™ revenue growth, as well as a decreased number of services personnel available to deliver services revenue. Q4 2008 license and service revenues are down from 2007 and 2006, as both previous years included large perpetual license sales that were not repeated in 2008.

During 2008, the Company restructured its workforce, and re-evaluated its facility management. As a result of this, the Edmonton office was downsized and the Houston office was closed during 2008, and the Company headcount was reduced with the divestment of Wellcore. In addition, the Company decided to relocate the Edmonton data centre facility to Calgary. Some of the savings from these personnel and facility reductions have been offset by one-time expenses incurred in the personnel restructuring, closing of the facilities, relocation of the Edmonton data centre, and consulting.

Total expenses, including cost of sales, for the last quarter of the year decreased 9% as a result of the restructuring and cost cutting discussed above. Over the course of 2008, total expenses, including cost of sales, were reduced by 18% from 2007, although some of the savings from the restructuring of the workforce and cost cutting has been offset by one-time expenses related to these initiatives, such as severance packages and office and personnel relocation expenses.

Other costs are higher due to recognition of a goodwill impairment loss in 2008 of \$597,152. In addition, foreign exchange gains were less in 2008, as the US dollar continued to strengthen during the year. Approximately 25% of the Company's revenue is in US dollars and a small portion of its expenses are in US dollars. Non-cash share compensation expense decreased in both the three months and twelve months ending December 31, 2008, respectively, as a result of option forfeitures due to the personnel restructuring.

**Decision Dynamics Technology Ltd.**  
Management Discussion and Analysis

---

The revenues, expenses and overall results are discussed in detail below.

*Revenue (restated to reflect continuing operation only)*

\$ '000 except per share amounts	Three Months Ending			Year Ending		
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
License	284	508	1,247	1,152	2,657	2,053
Services	265	343	186	1,060	1,345	524
<b>Total</b>	<b>549</b>	<b>851</b>	<b>1,433</b>	<b>2,212</b>	<b>4,002</b>	<b>2,577</b>

License revenues include sales of perpetual and multi-year licenses, annual maintenance charges and ASP subscription revenues. Service revenues include sales of professional services, software support, training and implementation services and hosting. Revenue may be dependent upon project activity levels (expenditures) plus the timing of the product implementation. Revenue from sales of perpetual licenses is recognized once the product has been delivered, and is ready for use by the customer. Service and support revenues are recognized as delivered. As a result there will be some volatility in the Company's revenues from quarter to quarter depending upon the timing of the signing of contracts and delivery of software.

License sales for Q4 2008 were down from both Q4 in 2007 and 2006. The last quarter of Q4 2006 included two large Oncore™ perpetual license sales, while Q4 2007 included two smaller license sales. While the last quarter of 2008 included a strong recurring subscription component, license revenue decreased due to the lack of closed perpetual license sales in that quarter. 2007 and 2006 were strong years for Oncore™ license sales, with most of the Company's current customers generating strong perpetual license revenue in those fiscal periods. The decrease in 2008 license sales from 2007 and 2006 is in part due to a much smaller Oncore™ sales staff available to drive license revenue across both product lines in 2008, as well as a significantly scaled back marketing effort as the Company worked to align expenses with decreased revenues. While perpetual license sales dropped in 2008, the recurring component of license sales, through subscription and maintenance revenues, remained equal to 2007 levels, and higher than in 2006.

Q4 2008 services revenue were down 22% from the same period in 2007 and up 42% from Q4 2006. The slowdown in 2008 services revenue from 2007 is due to reduced services personnel available to work on revenue generating projects. However, the increase in Q4 2008 over Q4 2006 is indicative of the increase in customer projects, as the customer base from which projects are generated from has expanded each year. For the year ended December 31, 2008, services revenue are down 21% from 2007, and have increased 102% since 2006. As the customer base has grown, the number of ongoing projects has increased, resulting in a significant increase in services revenue since 2006. However, the smaller number of personnel in the services department directly impacts the Company's ability to deliver services revenue, which has resulted in a decrease in this revenue from 2007.

Approximately \$1.3 million of the 2008 revenues were recurring revenues from multi-year license, support and maintenance contracts, up from \$1.2 million in 2007, and \$.9 million in 2006. This increase in the recurring revenue base reflects the increase in maintenance revenues from perpetual sales closed in 2007 and 2006, as well as a consistent revenue stream from subscription revenues and support contracts.

The Company's revenues are largely dependent upon a small number of customers. For the last two fiscal years, the top six customers have provided approximately 88% of the Company's annual revenues. As the Company continues to expand its customer base, the amount of recurring revenue will continue to increase, and this dependence upon a small number of customers is expected to decline.

**Decision Dynamics Technology Ltd.**  
Management Discussion and Analysis

---

*Gross profit (restated to reflect continuing operation only)*

\$ '000	Three Months Ending			Year Ending		
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Revenue	549	851	1,433	2,212	4,002	2,577
Cost of sales	(174)	(273)	(158)	(1,018)	(1,372)	(1,153)
Gross profit (1)	375	578	1,275	1,194	2,630	1,424
Gross margin (1)	68%	68%	89%	54%	66%	55%

Notes

- (1) "Gross profit" is revenue less cost of sales and "gross margin" is gross profit divided by revenue expressed as a percentage.
- (2) Gross profit and gross margin do not have a standardized meaning under GAAP and may not be comparable to the same terms as used by other entities in the industry; however, the Company believes they are an important measure of performance and indicator of success for software businesses and are relevant to readers within the investment community.

Cost of sales includes the cost of the service, support and customer hosting personnel (both productive and non-productive time), warranty work, hosting costs and sales commissions. Expenses for the year and the quarter ended December 31, 2008 also include the costs associated with the relocation of the Company data centre facility. This relocation has incurred additional personnel and hosting expenses that are expected to recur until early 2009 until the data centre facility relocation is complete. The foregoing information is forward-looking by nature. It is qualified in its entirety by the Forward Looking Statements or Information disclaimer at the beginning of this Management Discussion and Analysis. It is further qualified by the Operating Risks section at the end of this Management Discussion and Analysis.

Cost of sales may vary substantially from quarter to quarter. From time-to-time service personnel may work on sales projects or development projects thereby reducing the charge to cost of sales. Warranty work does not produce revenues, and the expense related to non-chargeable and administrative tasks included in cost of sales will vary throughout the year.

For the quarter ended December 31, 2008, cost of sales decreased about 36% from Q4 2007 and increased about 10% from Q4 2006. The decrease in cost of sales reflects the reduced number of personnel in the service department, compared to the same periods in 2007. Cost of sales increased from Q4 2006 in part due to the increased number of customer projects from the same period in 2006, which increases the labour allocations into cost of sales from other departments, if needed. Cost of sales for the year ended December 31, 2008 decreased 26% and 12% from 2007 and 2006, respectively. The decrease from both 2007 and 2006 is due to less services personnel in the services department in 2008.

Gross margin is dependent upon the mix of license and services revenue, customer service requirements and service utilization rates. The decrease in gross margin for the year ended December 31, 2008 compared to 2007 is due to lower service revenues, as well as additional hosting fees while the data centre is relocated. Gross margin did not change from 2006 even though service revenues were significantly lower in 2006. This is due in part to a higher license revenue stream in 2006, as well as a higher labour allocation charge into cost of sales in 2006. There is more non-billable time that is absorbed in cost of sales when service revenues are lower. As well, with fewer staff, there is less opportunity for cross-over work between departments.

**Decision Dynamics Technology Ltd.**  
Management Discussion and Analysis

*Expenses (restated to reflect continuing operation only)*

\$ '000	Three Months Ending			Year Ending		
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Research and development	208	397	93	886	1,427	847
Selling and marketing	222	136	277	682	1,022	1,186
Restructuring costs	9	28	173	223	48	173
General and administration	521	382	261	1,381	1,027	795
Share Accumulation Plan	(14)	(37)	14	(66)	42	51
Other stock based compensation	28	83	108	177	279	346
	<u>974</u>	<u>989</u>	<u>926</u>	<u>3,283</u>	<u>3,845</u>	<u>3,398</u>

The 15% decrease in expenses from the year ending December 31, 2007 was primarily due to staff and organizational restructuring done during the year, but also due to cost cutting measures the Company implemented to align expenses. Although the personnel and organizational restructuring and focus on fiscal control resulted in significant expense savings for the Company, some of this savings was mitigated through one-time restructuring expenses related to severance packages, closure costs for the Houston office and downsizing of the Edmonton office, and higher consulting costs incurred in 2008. Expenses for 2008 compared to 2006 are slightly down, however, the 2008 results include many one-off expenses related to the staff and organizational restructuring undertaken during the year.

Expenses for the quarter ended December 31, 2008 decreased from Q4 07 and increased from Q4 06. The decrease in research and development expenses from Q4 07 is due primarily to less personnel in development. The increase in selling and marketing expenses reflects the start of the Company's investment back into sales and marketing in Q4 08. General and administration increased in Q4 08 as compared to Q4 07 and Q4 06 due to one time expenses for retention bonuses and recruiting fees incurred in 2008.

R&D expenses for the year ended December 31, 2008 decreased 38% from the same period in 2007. This decrease from 2007 is primarily a result of staff restructuring, as well as cost cutting measures implemented by the Company to align expenses. Research and development expenses increased slightly from the year ended December 31, 2006 although overall headcount was reduced. There is some overlap between R&D and service personnel competencies. This provides the Company with some flexibility in the allocation of personnel to service projects and to new product development. As a result, R&D expenses may vary due to allocations of staff throughout the year to or from service projects. The 2007 expenses reflect not only a higher headcount and salary base, but lower allocations out of development into other departments, while in 2006, a larger amount of research and development time was allocated to cost of sales and sales. This allocation in 2006 can also be seen in the quarterly results. Q4 08 expenses are over double the expenses in Q4 06, due to much higher labor allocations out of research development in Q4 06. The staff restructuring done in 2008 resulted in Q4 08 expenses decreasing 46% over Q4 07.

During 2008, selling and marketing expenses decreased 33% over the 2007 fiscal year, and 42% over the 2006 fiscal year, a result of staff restructuring but also due to reduced marketing expenses in 2008 as the Company cut back on these expenses until later in Q4 08. The decreased sales and marketing expenses in 2008 also reflect a reduction in the sales support work done by services and development personnel for pilots, demonstrations, and other support services. On a quarterly basis, sales and marketing expenses for Q4 08 were up from Q4 07, reflecting the Company's investment back into sales and marketing, and down 11% from 2006, reflecting the impact of staff reductions.

Restructuring expenses for the year ended December 31, 2008 are significantly higher than the same period in 2007, and are slightly higher than in 2006. There was minimal restructuring undertaken in 2007 as the Company and organization wide restructuring was undertaken in the current fiscal year. Q4 08 restructuring expenses are lower than Q4 07 and significantly lower than Q4 06, as most of the Company restructuring took place in the quarters leading up to Q4 08.

**Decision Dynamics Technology Ltd.**  
Management Discussion and Analysis

As stated in the first paragraph above, some of the expense savings that were achieved through personnel and organizational restructuring and from focused fiscal control was offset by additional one time expenses in the 2008 fiscal year. In order for the Company to realign its work force to meet its objectives for development of the sales and development teams, it was necessary to invest more in external recruiting for these teams. The closure of the Houston office and downsizing of the Edmonton office during 2008 resulted in one-off expenses incurred to close these operations. During Q4 2008, after the sale of the Wellcore product line, the Company expensed retention costs in the form of salary increases and one-time bonuses for staff. The cumulative impact of these one time expenses was a 34% increase in 2008 general and administration expenses over 2007 expenses. General and administration expenses were significantly higher in 2008 as compared to 2006. Some of this increase is due to higher corporate salary expenses as compared to 2006, including payment of retention bonuses in Q4 2008. As well, recruiting in 2008 was much higher as investments were made in sourcing and retaining quality development and sales individuals. Public company expenses for audit, tax and legal were also higher in 2008 than in 2006.

The decrease in stock price, in addition to the Company restructuring initiatives, has resulted in reduced stock based compensation in 2008, both for the quarter and the period ending December 31, as compared to 2007 and 2006. When employees are restructured, the associated option expense related to their forfeited options is reversed at the time of termination, resulting in a decrease in the compensation expense associated with employee stock options.

The Directors Stock Accumulation Plan ("SAP") is valued each quarter using a volume weighted average stock price. Due to the declining stock price, this has resulted in a reduction of the liability of this plan as this liability is measured at the quarter end volume weighted average stock price, and a recovery of expense has been recorded for the year. In the last quarter of 2008, the SAP was modified by the Company. The directors determined that a modification of the SAP was necessary to address the impact of an undervalued share price when calculating the allocation of shares into the SAP. Under this modification, the share price used in the calculation of the quarterly share allocation would be set at \$.04 or the quarterly volume weighted average price, whichever is greater. This modification impacts only the calculation of the amount of shares allocated into the SAP, and has no impact on the valuation of the liability and related expense or recovery.

In addition, the directors were given the option of receiving their annual compensation half in cash and half in DSUs, or completely in cash. For the last quarter of 2008, the majority of the non-management directors elected to receive their compensation split evenly between DSUs and cash, which provides the maximum amount of DSUs available under the modified SAP. Following termination of board service, the directors will receive the then current fair market value in common shares held in the nominal account.

*Amortization and Other Expenses (restated to reflect continuing operation only)*

\$ '000	Three Months Ending			Year Ending		Dec 31, 2006
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	
Amortization of property and equipment	95	108	62	166	203	237
Foreign exchange (gain) loss	(93)	56	90	(42)	(236)	118
Loss on disposal of equipment and leasehold improvements	99	20	-	99	20	-
Interest income	(19)	(8)	(3)	(26)	(17)	(28)
Interest expense	1	31	28	121	130	135
Goodwill impairment loss	-	-	-	597	-	-
	<b>83</b>	<b>207</b>	<b>177</b>	<b>915</b>	<b>100</b>	<b>462</b>

The decrease in annual and quarterly 2008 amortization from 2007 reflects the overall minimal amount of capital additions in 2007, as well as disposals of assets, reducing the asset base available for amortization. The decrease in Q4 08 amortization over Q4 07 reflects a one-time adjustment made in the allocation of amortization to the discontinued operation. Without the impact of this adjustment, Q4 08 quarterly amortization has increased over both 2007 and 2006, reflecting the impact of capital expenditures incurred to upgrade the data centre in Calgary and to replace old equipment and infrastructure.

## Decision Dynamics Technology Ltd.

### Management Discussion and Analysis

---

The significant differences in foreign exchange from quarter to quarter and over the last three years result from the extensive fluctuations in the Canadian and United States dollar exchange rates. Foreign exchange differences arise primarily from differences arising from the conversion of assets owned by the Company's US subsidiary from US dollars to Canadian dollars. Foreign exchange fluctuations therefore will continue, depending on the level of fluctuation in the Canadian and United States dollar exchange rates.

The increase in 2008 loss on disposal of assets is due to the closure of the Houston office and downsizing of the Edmonton office in 2008. All leasehold improvements and any surplus assets that were not relocated to the Calgary office were disposed of, resulting in a loss on disposal of assets.

The Company invests surplus funds not immediately required for operations and these generate small amounts of interest income. Interest expense is primarily due to long term debt, which was fully repaid in Q3 08.

During the third quarter of 2008, Management performed a goodwill impairment test on the goodwill that remained after disposing of the Wellcore product line. The remaining goodwill was found to be impaired, and an impairment loss for the entire amount of the remaining goodwill has been recorded.

#### *Income taxes*

The Company has approximately \$24.0 million dollars of tax pools available in Canada and the United States to offset income in the respective jurisdictions. A future income tax asset has not been recognized, as the Company's lack of historical earnings precludes its ability to recognize this asset at this time.

#### **Quarterly Results**

The following quarterly results have been restated to reflect the results of continuing operations only (in thousands of Canadian dollars except per share amounts):

	Dec 31 2008	Sept 30 2008	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
Revenue	549	455	575	633	851	665	978	1,507
Net income (loss), before discontinued operations	(682)	(1,308)	(536)	(476)	(618)	(431)	(370)	102
Income (loss) per share, before discontinued operations	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(0.01)	0.002
Income (loss) per share, after discontinued operations	(\$0.01)	\$0.04	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.01)	(0.01)	0.01
EBITDAS	(589)	(592)	(406)	(343)	(337)	(442)	(376)	204

#### **Liquidity and capital resources**

##### *Working Capital*

The sale of the Wellcore assets in the third quarter of 2008 provided the Company with a boost to working capital. At December 31, 2007, working capital was \$1.29 million, as compared to \$4.1 million at December 31, 2008. The Company used the funds from the sale to pay off existing debt, and to fund 2008 operations, as shown below:

Working capital, December 31, 2007	1,290
Sale of Wellcore assets	4,829
Repayment of long-term debt (including interest)	(850)
Used in operations and other	(1,198)
Working capital, December 31, 2008 (1)	<u>4,071</u>

#### Notes:

- (1) Working capital is current assets minus current liabilities. It does not have a standardized meaning under GAAP and may not be comparable to the same terms as used by other entities in the industry; however, the Company believes that it is an important measure of performance and indicator of success for software businesses and are relevant to readers within the investment community

## Decision Dynamics Technology Ltd.

### Management Discussion and Analysis

---

Five customers provided approximately 99% of the total trade accounts receivable at December 31, 2008 compared to 83% and 96% at December 31, 2007 and 2006 respectively. All trade account receivables are considered collectible at December 31, 2008 and are expected to be collected within the first quarter of 2009. A holdback of \$435,786 related to the sale of the Wellcore assets is included as assets from discontinued operations, of which approximately \$150,000 has been collected subsequent to the balance sheet date. The remaining amount of the holdback will be paid to the Company during the year, subject to certain conditions. The remaining accounts payable and accrued liabilities are planned for disbursement over the next six months, depending on the nature of the payable and/or accrual.

#### *Capital requirements*

The inflow of cash from the sale of the Wellcore assets to a subsidiary of P2 Energy Solutions, Inc. has provided the Company with a large amount of cash and equivalents at the balance sheet date. As well, the Company has a strong recurring revenue component that provides cash throughout the fiscal year. Management believes these factors, combined with the current initiatives to generate new revenue, will provide the Company with the capital resources and liquidity necessary to fund our current operations and finance our current growth strategies.

#### *Share Capital*

As at April 6, 2009 Decision Dynamics had 60,212,466 shares outstanding with a book value of \$27,606,710, 6,064,492 share options to purchase common shares outstanding, and warrants to purchase 1,265,000 common shares outstanding.

#### *Normal Course Issuer Bid*

The Company commenced a normal course issuer bid, effective for one year, on December 15, 2008. Under this bid, the Company may purchase for cancellation up to 3,020,623 million or 5% of its common shares outstanding as at December 15, 2008. No purchases under the normal course issuer bid were made during the fiscal year ended December 31, 2008. As of April 6, 2009, the Company has purchased 811,000 or 27% of the shares available under the terms of the normal course issuer bid.

### **Operating Risks**

This section is forward-looking by nature. It is qualified in its entirety by the Forward Looking Statements or Information disclaimer at the beginning of this Management's Discussion and Analysis.

The sale of software and services is subject to business risks that may adversely affect the Company's operations. As discussed in the Forward Looking Statements and Information section, these risks could include risks related to revenue expectations, operating results, impact of current economic conditions on our customers, product development, and employee retention. Management evaluates and monitors these risks on an ongoing basis, and takes steps to minimize these risks. However, it is not possible to completely mitigate these risks, as many of these risks are beyond our control.

#### 1. Revenue Expectations

Although we anticipate that investing in and developing the sales organization will result in revenue growth, there is no guarantee that this will result in increased sales of Oncore™. If we are unable to build upon existing customer demand, and generate new customer interest in Oncore™, revenues may not be at the level estimated by Management. In addition, the dynamics of the sales cycle and our close rate will continue to evolve with the development of our sales organization, which makes predicting the timing of sales difficult. Delays in closing sales could cause decreases in our revenues and results. In 2008, the Company received approximately 88% of its revenue from only six customers. A loss in this customer base could be a significant impact.

## Decision Dynamics Technology Ltd.

### Management Discussion and Analysis

---

*The Company has taken steps to mitigate the risk of decreased sales and customer concentration through the recruitment of an experienced sales team that is focused on identification of prospect opportunities that fit our customer profile, and present a need that the Oncore™ product can fulfill. In addition, the Company has adopted a successful sales methodology that will enable the sales organization to accelerate pipeline opportunities into closed sales. We have also deployed a new sales model that more closely aligns efficient and cost-effective customer use of Oncore™ with our revenue expectations. Finally, we have put into place initiatives to work closely with our existing customer base to secure customer commitment, retention and satisfaction.*

#### 2. Current Economy

The Company results could differ significantly as current market conditions may adversely impact our customers.

*The very nature of Oncore™ serves to mitigate this risk. The Company has found that the level of interest from potential new customers in a cost control solution has remained constant. With the softened economy, these customers are increasingly focused on cost control and productivity improvement solutions. The Company's sales models provide our customers with the opportunity to manage and control their project costs in the most cost-effective, efficient manner for them.*

*However, the Company believes that the current economic conditions may impact our customers' abilities to proceed with projects. As such, we intend to maintain a cautious outlook on our own revenue expectations. The Company's new sales methodology process will improve the Company's ability to determine the risk that the Company may bear in customers not pursuing intended projects or license purchases. This in turn will improve the Company's ability to proactively manage our revenue expectations. and manage our own expenses to those expectations.*

#### 3. Product Development and Intellectual Property

Our customers have changing demands, and are expecting frequent and relevant product enhancements. If we are not able to respond quickly and effectively, we run the risk of Oncore™ becoming obsolete. This could result in customer loss and our ability to convert pipeline opportunities into revenue, and to maintain our existing customer relationships. The Company relies on confidentiality procedures and contractual provisions to protect our proprietary rights. We provide the Oncore™ software to customers under a Licensing Schedule and Related Services Agreement.

*Management has launched a product development plan that will take the Oncore™ technology as it currently is, to a product that incorporates next generation tools and features that our customers have identified as being essential for their ongoing satisfaction and commitment to the product. In addition, we have established a Product Steering Team that includes regular customer user group sessions. These sessions will enable customers to meet with the Company to discuss their existing use of the product, the strengths and weaknesses they have identified, and what they anticipate their future requirements will be.*

*The Company does not sell or transfer title to Oncore™ to our customers. Under our Licensing Schedule and Software Related Services Agreement, Oncore™ may be used by the customer for internal purposes only. The Company believes that the legal specifications in our agreements provide minimal protection of our intellectual property. Instead, our best protection in protecting our proprietary rights is product development and enhancement to advance the technical capability of our product, as well as a demonstrated commitment to customer satisfaction and building of strong customer relationships.*

# Decision Dynamics Technology Ltd. Report for the year ending December 31, 2008

## MANAGEMENT'S REPORT

These financial statements are the responsibility of the Management of Decision Dynamics Technology Ltd. ("DDyTech Ltd.") They have been prepared in accordance with Canadian generally accepted accounting principles using Management's best estimates and judgements, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, notes to the financial statements and other financial information contained in this report. Estimates are sometimes necessary in the preparation of these statements because a precise determination of some assets and liabilities depends on future events. Management has based these estimates on careful judgments and believes they are properly reflected in the accompanying financial statements. Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board of Directors of DDyTech Ltd. is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised of independent Directors and meets at least every quarter. The Board also meets with Management to ensure that Management's responsibilities are fulfilled, to review financial statements and to recommend approval of the financial statements. The Board of Directors has approved the information contained in the financial statements. Independent auditors, KPMG LLP have audited the financial statements of DDyTech Ltd. in accordance with Canadian generally accepted auditing standards.

April 7, 2009

*"signed" R.J. (Justin) Zinke*  
R.J. (Justin) Zinke  
Chief Executive Officer  
Calgary, Alberta

*"signed" Kimberley A. Tremblay*  
Kimberley A. Tremblay  
Chief Financial Officer  
Calgary, Alberta

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Decision Dynamics Technology Ltd. as at December 31, 2008 and 2007 and the consolidated statements of income (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 consolidated 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.

*KPMG LLP*

Chartered Accountants

Calgary, Canada

April 2, 2009

# Decision Dynamics Technology Ltd.

## Consolidated Balance Sheets

	December 31, 2008	December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$3,815,016	\$1,106,618
Accounts receivable (note 14)	496,679	2,076,932
Prepaid expenses	147,728	173,889
Assets of discontinued operation (note 4 )	435,786	0
	<u>4,895,209</u>	<u>3,357,439</u>
Property and equipment (note 5)	495,568	553,400
Intangible Assets (note 6)	-	459,374
Goodwill	-	1,778,177
	<u>\$5,390,777</u>	<u>\$6,148,390</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$694,859	\$677,528
Deferred revenue	136,575	867,790
Current portion of long-term debt (note 7)	-	522,189
	<u>\$831,434</u>	<u>\$2,067,507</u>
Shareholders' equity		
Capital stock (note 8)	27,606,710	27,606,710
Warrants (note 8)	349,638	653,194
Contributed surplus (note 8)	2,471,987	1,944,350
Deficit	(25,868,992)	(26,123,371)
	<u>4,559,343</u>	<u>4,080,883</u>
	<u>5,390,777</u>	<u>6,148,390</u>

Future Operations (note 2)

Approved on behalf of the board

"signed" William Dimma

William Dimma, Director

"signed" James Baillie

James Baillie, Director

See accompanying notes to the consolidated financial statements.

# Decision Dynamics Technology Ltd.

## Consolidated Statements of Income (Loss) and Deficit

	Year Ended	
	December 31, 2008	December 31, 2007 (restated - note 4)
<b>Revenue</b>	\$ 2,211,923	\$ 4,002,055
Cost of sales	1,018,136	1,372,359
<b>Gross Profit</b>	<u>1,193,787</u>	<u>2,629,696</u>
<b>Expenses</b>		
Research and development	885,662	1,427,018
Selling and marketing	681,610	1,022,325
Restructuring costs (note 10)	222,973	47,794
General and administration	1,492,258	1,347,541
	<u>(2,088,716)</u>	<u>(1,214,982)</u>
Amortization of property and equipment	165,639	203,250
Foreign exchange gain	(42,246)	(236,137)
Loss on disposal of equipment and leasehold improvements	99,380	20,316
Interest income	(26,232)	(16,854)
Interest expense	120,526	130,096
Goodwill impairment	597,152	-
	<u>(3,002,935)</u>	<u>(1,315,653)</u>
<b>Net loss before results of discontinued operations</b>		
Results of discontinued operations (note 4)	(277,373)	(268,006)
Gain on sale of discontinued operations	3,534,687	-
<b>Net income (loss) and comprehensive income (loss)</b>	254,379	(1,583,659)
<b>Deficit, beginning of year</b>	<u>\$ (26,123,371)</u>	<u>\$ (24,539,712)</u>
<b>Deficit, end of year</b>	<u>\$ (25,868,992)</u>	<u>\$ (26,123,371)</u>
<b>Basic and diluted income (loss) per share, before discontinued operations</b>	(\$0.05)	(\$0.02)
<b>Basic and diluted income (loss) per share, after discontinued operations</b>	\$0.004	(\$0.03)
<b>Weighted average number of common shares outstanding</b>	60,212,466	56,080,733

# Decision Dynamics Technology Ltd.

## Consolidated Statements of Cash Flows

---

	Year Ending	
	December 31, 2008	December 31, 2007
<b>Cash provided by (used in):</b>		
<b>Operations</b>		
Cash received from customers	\$3,132,275	\$4,067,309
Cash paid to suppliers and employees	(4,058,225)	(4,738,927)
Interest received	26,232	16,854
Interest paid	(93,711)	(63,984)
	<hr/>	<hr/>
	(993,429)	(718,748)
Cashflow from discontinued operation	(94,773)	(750,196)
	<hr/>	<hr/>
	(1,088,202)	(1,468,944)
<b>Investing activity</b>		
Purchase of equipment	(247,075)	(18,672)
<b>Financing activities</b>		
Repayment of long-term debt	(439,896)	(235,262)
Issue of shares and warrants net of financing costs	-	2,382,748
Proceeds on sale of discontinued operation	4,829,455	-
	<hr/>	<hr/>
	4,389,559	2,147,486
Cashflow from discontinued operation re: repayment of long-term debt	(347,738)	(589,518)
	<hr/>	<hr/>
	4,041,821	1,557,968
<b>Changes in foreign currency</b>	<hr/>	<hr/>
	1,854	(7,724)
Increase (decrease) in cash and cash equivalents	2,708,398	62,628
Cash and equivalents, beginning of year	<hr/>	<hr/>
	\$1,106,618	1,043,990
Cash and equivalents, end of year	<hr/>	<hr/>
	\$3,815,016	\$1,106,618

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements  
Years ended December 31, 2008 and 2007

---

## 1. Nature of operations

Decision Dynamics Technology Ltd., a public company incorporated under the Canada Business Corporations Act, has developed project controls and real time operations reporting software designed to provide better project visibility by unifying the project data and knowledge needed to make better and faster project management decisions. The Company's flagship product, Oncore™, provides real time cost information, contract validation, and approvals for operations management and capital projects.

The Company's head office is located in Calgary, Alberta, Canada. It operates a wholly-owned foreign subsidiary in the United States of America.

## 2. Future operations

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities and commitments in the normal course of business. Recurring losses since inception have resulted in an accumulated deficit of \$26 million. These financial statements do not give effect to any adjustment should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing significantly from those reflected in the financial statements.

On September 16, 2008, the Company completed the sale of the Wellcore product line to a subsidiary of P2 Energy Solutions, Inc., which provided the Company with approximately \$4.8 million in cash. At the end of the year, the Company had a cash balance of \$3.8 million. This change in cash position reflects the Company's execution of its previously stated intended use of a portion of the cash from the sale – to pay off existing debt, fund current operations of the business, make investments in the Oncore™ technology and develop a sales team focused on growth of the Oncore™ product. The Company intends to continue these initiatives, as we believe that these capital and corporate investments will significantly impact the Company's objective of achieving positive cash flow and sustained bottom-line profitability.

Despite the fact that the Company has sufficient cash to fund its current operations, we intend to maintain a strategic and conservative approach, and will look to generate positive cash flow from operations. The Company's ability to be successful in generating bottom line profitability and positive cash flow from operations will continue to be contingent upon the increased acceptance of the Oncore™ product and expanding its overall customer base. Continuing efforts are being made to monitor current expenses, and align future spending with expected revenue. If the Company sales initiatives do not result in an increased acceptance of our product, and a higher revenue stream, than further restructuring, including the possible sale of the Company, may become necessary.

## 3. Significant accounting policies

### (a) New accounting policies

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and 3863, Financial Instruments – Presentation. The new standards have been adopted on a prospective basis with no restatement of prior periods. Section 1535 requires additional disclosures regarding the Company's capital management (note 15), while Section 3862 addresses financial instruments and the nature, extent and management of risks arising from financial instruments to which the Company may be exposed (note 14).

### (b) Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned U.S. subsidiary, Decision Dynamics Technology Inc. All intercompany balances and transactions have been eliminated.

### (c) 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 balance sheet date and the reported amounts of revenues and expenses during the reporting periods presented. Actual results will differ from those estimates. The significant items requiring management estimate include deferred revenue, valuation of future income taxes, property and equipment and goodwill as well as the estimated useful lives of property and equipment.

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

---

## (d) Revenue recognition

The Company's revenue consists primarily of software licensing and subscription revenues, service revenues and post contract customer support revenues.

Software licensing and subscription revenue is recognized in the period that a non-cancelable license agreement has been signed and received; the software and related documentation have been delivered; there are no uncertainties regarding customer acceptance; the fees are fixed and determinable; collection of the resulting receivable is deemed probable; and no other significant vendor obligations or milestones exist. Where significant milestones exist, software licensing revenue is recognized only after these milestones have been satisfied. Where the service obligations include significant production, modification or customization, contract accounting (percentage of completion) is applied to the license and service elements of the arrangement.

Service revenues are recognized when the service is performed. Work in progress is comprised of unbilled fees and is recorded at the market value of time incurred (customer billing rates). Unbilled disbursements are recorded at cost. Any estimated losses on contracts are recognized during the period in which the loss first becomes apparent.

Where a customer contracts with the Company to develop specialty service software, the Company estimates the amount of future work required to maintain the functionality of the software. The estimate is based on historical experience and the warranty cost is accrued as the revenue is recognized.

Post contract customer support revenue includes maintenance and service support provided to license holders. Time based maintenance revenues are initially allocated contract proceeds based on vendor specific objective evidence ("VSOE") of fair value and are recognized on a straight-line basis over the term of the contract and time-based service revenues are recognized when the service is performed. Maintenance is invoiced annually in advance, and is recorded in deferred revenue and recognized as revenue on a straight-line basis over the year.

For all revenue streams, revenue is not recognized until there is evidence that an arrangement exists, delivery has occurred, the fees are fixed and determinable and collection is probable.

For multiple element arrangements, where VSOE of fair value is available for all elements, the contract value is allocated to each element proportionately based on relative VSOE and revenue is recognized separately for each element and the basis of recognition of revenue for each element is determined separately. Where VSOE is not available for one element, the residual method is used to value that element. Where the residual method cannot be used, contract accounting is used to account for the entire contract value. Contract accounting is also used where elements such as licensing and services cannot be separated, and where the contract requires the delivery of set up services and use of the software. In such instances, revenue is recognized for both software licenses and consulting services, generally using the percentage-of-completion method measured on labour hours. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the percentage-of-completion method of accounting affect the amounts of revenue and related expenses reported in the consolidated financial statements. A number of internal and external factors can affect our estimates, including labour rates, utilization of the software, and the potential requirement of additional services.

## (e) Foreign currency translation

The Company's subsidiary is an integrated operation and is translated into Canadian dollars using the temporal method. Monetary assets and liabilities of the Company, which are denominated in foreign currencies, are translated at exchange rates in effect at the balance sheet date. Other assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in the determination of income or loss.

## (f) Cash equivalents

The Company considers cash equivalents to be all cash and highly liquid investments with original maturities of three months or less from the date of purchase and that are readily convertible to known amounts of cash.

## (g) Research and development costs

The Company is continually engaged in research and development. Research costs are expensed as incurred. Development costs, net of investment tax credits recognized, are expensed as incurred, unless they meet the requirements for deferral and amortization under Canadian generally accepted accounting principles. There have been no capitalized development costs to date.

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

---

## (h) Property and equipment

Property and equipment are recorded at cost less accumulated amortization. The Company provides for amortization using the following methods and annual rates:

---

Equipment and furniture	20%	Declining balance
Computer hardware	30%	Declining balance
Computer software	50%	Declining balance
Leasehold improvements		Straight line over the term of the lease

---

## (i) Future income taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income 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. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will be not realized.

## (j) Stock based compensation

The Company has a stock based compensation plan under which all stock based compensation awards are measured and recognized as an expense based on their fair value. For options granted in respect of future services, compensation expense is recorded over the vesting period. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to share capital. When options are forfeited, the recovery of expenses attributable to these options is recognized at the time of forfeiture; however, no adjustment is made for expenses related to expired options.

The Company also has a share accumulation plan allowing directors to receive their annual compensation in deferred share units. As this plan allows the directors to elect settlement at termination in either shares or cash, net of applicable taxes, the award is a liability as classified in the financial statements. The amount of the liability is based on the value of the Company's shares and any increases (decreases) in the value are recognized as an expense (recovery) in the valuation period.

## (k) Per share amounts

Per share amounts are computed by dividing net loss by the weighted average shares outstanding during the reporting period. Diluted per share amounts are computed by dividing net loss by the weighted average shares outstanding adjusted for additional shares from the assumed exercise of stock options or warrants, if dilutive. The number of additional shares is calculated by assuming the outstanding dilutive stock options or warrants are exercised and that the assumed proceeds are used to acquire common shares at the average market price during the period. Only options or warrants that are 'in the money' are included in this calculation.

Options and warrants to purchase common shares were not included in the computation of diluted earnings per share because the result would have been anti-dilutive.

## (l) Impairment of long lived assets

Management reviews property and equipment annually and when there are indicators of impairment in the carrying value or changes in the estimated useful life of the asset. If impairment has occurred, an impairment charge to earnings is recognized for the amount the carrying value of the asset exceeds its estimated fair value.

## (m) Goodwill

Goodwill is the residual amount the results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Prior to the sale of the Wellcore product line in September 2008, the Company carried a balance of \$1,778,177 for goodwill originating from the acquisition of Malibu Engineering & Software Ltd., in 2005. At the time of the sale of

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements  
Years ended December 31, 2008 and 2007

---

Wellcore, the Company performed an assessment to determine the amount of goodwill that was attributable to the Wellcore product, and that should be included in the carrying value of that business in determining the gain on disposal of the Wellcore assets. It was determined that \$1,181,025 of the \$1,778,177 was attributable to the Wellcore product line, based on the relative fair values of the discontinued and continuing operations, and the remaining \$597,152 was attributable to the Oncore™ product line.

The Company then conducted a two-step impairment test on the remaining goodwill of \$597,152 to determine if an impairment existed, and then if an impairment existed, to measure the amount of the impairment loss. The Company deemed that an goodwill impairment had occurred, and exceeded the remaining amount of the goodwill attributable to the Oncore™ product line. A goodwill impairment loss for the full amount of \$597,152 has been recorded for the year ended December 31, 2008 and no goodwill remains on the Company balance sheet.

## (n) Financial Instruments

The Company reports and presents comprehensive income or loss, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from net income or loss calculated in accordance with generally accepted accounting principles. The Company had no "other comprehensive income or loss" transactions during 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

The Company has classified its financial instruments into one of these five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured initially in the balance sheet at fair value. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income or loss until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings. Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost.

The Company has designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The Company had neither available-for-sale, nor held to maturity instruments during the year ended December 31, 2008.

All derivative instruments, including embedded derivatives, are recorded in the statement of operations and deficit at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income or loss. At reporting date, the Company had no derivative instruments. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item. The Company does not have any hedges as at December 31, 2008.

## 4. Discontinued operations

In the third quarter of 2008, the Company completed the sale of the Wellcore product line to a subsidiary of P2 Energy Solutions, Inc. The results of the discontinued operation have been disclosed below. The results of discontinued operations for the year ended December 31, 2008 represent results of operations to the date of disposal, September 16, 2008, and an adjustment to the gain on sale of discontinued operations has been made as a result of a fourth quarter adjustment to the sale proceeds receivable.

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

	Year Ended December 31, 2008	Year Ended December 31, 2007
<b>Revenue</b>	\$ 2,933,584	\$ 5,742,829
Cost of Sales	<u>(697,654)</u>	<u>(1,816,256)</u>
<b>Gross Profit</b>	2,235,930	3,926,573
<b>Expenses</b>		
Research and development	552,699	862,861
Selling and marketing	533,016	1,394,239
General and administration	597,455	865,533
Restructuring	273,581	38,092
Stock based compensation	65,014	118,463
Amortization of property and equipment	12,529	15,840
Amortization of intangible assets	359,119	500,484
Loss on disposal of property and equipment	27,843	11,261
Foreign exchange (gain) loss	(88,812)	152,655
Interest income	(11,132)	(28,204)
Interest expense	<u>191,991</u>	<u>263,355</u>
	2,513,303	4,194,579
<b>Loss from discontinued operations before gain on sale of discontinued operations</b>	\$ (277,373)	\$ (268,006)
<b>Gain on sale of discontinued operations</b>	\$ 3,534,687	\$ -
<b>Income (loss) from discontinued operations</b>	<u>\$ 3,257,314</u>	<u>\$ (268,006)</u>

Assets and liabilities presented in the consolidated balance sheets are recorded at fair value and include the following assets and liabilities of discontinued operations.

	December 31, 2008	December 31, 2007
Accounts receivable	\$ 435,786	\$ 1,270,527
Prepaid expenses		30,594
Property and equipment		39,889
Intangible assets		459,374
Goodwill		1,181,205
Deferred revenue		<u>(682,736)</u>
	<u>\$ 435,786</u>	<u>\$ 2,298,853</u>

The accounts receivable of \$435,786 is a holdback receivable that will be paid out to the Company, subject to certain conditions. As of April 6, 2009, approximately \$150,000 of this holdback had been received.

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

## 5. Property and equipment

December 31, 2008	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$105,866	\$53,465	\$52,401
Computer hardware	611,898	313,021	298,877
Computer software	143,160	94,821	48,339
Leasehold improvements	141,688	45,737	95,951
	<u>\$1,002,612</u>	<u>\$507,044</u>	<u>\$495,568</u>

December 31, 2007	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$191,337	\$67,530	\$123,807
Computer hardware	923,303	585,727	337,576
Computer software	259,341	191,996	67,345
Leasehold improvements	52,047	27,375	24,672
	<u>\$1,426,028</u>	<u>\$872,628</u>	<u>\$553,400</u>

During the year, the Company closed its Edmonton and Houston offices. The disposition of the surplus furniture and equipment and leasehold improvements resulted in a loss of \$99,380.

## 6. Intangible Assets

The previously recorded intangible assets related to the Wellcore product line. Accordingly, the net book value of \$100,454 at the disposal date of September 16, 2008 has been included in the disposal (note 4). At December 31, 2007, intangible assets consisted of the following:

December 31, 2007	Cost	Accumulated Amortization	Net book value
Technology	\$1,289,877	\$912,350	\$377,527
Trade name	83,000	58,708	24,292
Maintenance contracts	296,000	238,445	57,555
	<u>\$1,668,877</u>	<u>\$1,209,503</u>	<u>\$459,374</u>

## 7. Long-term debt

Balance as at December 31, 2007	\$522,189
Interest expense	62,153
Deferred financing costs	234,523
Foreign exchange translation effect	30,922
Debt payment (principal and interest)	<u>(849,787)</u>
Balance as at December 31, 2008	<u>(\$0)</u>

During the year ended December 31, 2006, the Company entered into an agreement to borrow US\$4.0 million and drew down US\$2.0 million. The drawdown was repayable in monthly installments of US\$68,647 including 14.3% interest over three years and was due to be fully repaid by the end of 2008. The Company used a portion of the proceeds from the sale of the Wellcore product line to repay the outstanding debt balance.

The Company granted the lender five year warrants to purchase 1,265,000 common shares at \$0.55 per share. The exercise price was subject to a re-pricing if the Company subsequently issued shares at a lower price. As a result of the private placement during 2007 the exercise price of the warrants was reduced to \$0.305 per share. As of December 31, 2008, the warrants remain outstanding, and are due to expire on January 31, 2011.

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

The fair value of the 1,265,000 warrants issued was \$349,665 and was included in the total deferred financing costs of \$614,454. During the year, \$234,523 (2007 - \$197,321) of deferred financing charges were amortized.

## 8. Share capital

### (a) Common shares

Authorized

Unlimited number of voting common shares

Issued and outstanding common shares:

	Number	Amount
<b>Balance December 31, 2006</b>	<b>51,625,240</b>	<b>\$25,529,130</b>
Shares issued pursuant to a private placement	8,504,999	2,068,174
Shares issued to agent	25,000	-
Shares issued on exercise of stock options	57,227	9,406
<b>Balance December 31, 2007</b>	<b>60,212,466</b>	<b>\$27,606,710</b>
No shares issued in 2008	-	-
<b>Balance December 31, 2008</b>	<b>60,212,466</b>	<b>\$27,606,710</b>

### (b) Stock based compensation

#### (i) Stock Option Plan:

The Company has established a stock option plan for directors, officers, and employees. Under the plan, the aggregate number of options available for issue may not exceed 9,519,094 as at December 31, 2008. The options are non-assignable and expire either seven or ten years after grant.

<b>Balance, December 31, 2006</b>	8,987,034
Granted	1,550,000
Expired	(1,667,019)
Exercised	(57,225)
Forfeited	(1,673,751)
<b>Balance, December 31, 2007</b>	7,139,039
Granted	1,975,000
Expired	(1,033,335)
Exercised	0
Forfeited	(2,016,212)
<b>Balance, December 31, 2008</b>	<b>6,064,492</b>

Stock options outstanding as at December 31, 2008 under this plan are as follows:

Range of exercise prices outstanding	Options outstanding			Options Exercisable	
	Number outstanding at December 31, 2008	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at December 31, 2008	Weighted average exercise price
\$0.04	1,475,000	120	\$0.04	-	-
\$0.16	3,630,194	34	\$0.16	3,630,195	\$0.16
\$0.205 - 0.31	360,000	60	\$0.24	194,996	\$0.24
\$0.50 - 0.55	503,000	49	\$0.54	502,000	\$0.55
\$0.745	96,298	26	\$0.745	96,298	\$0.745
\$0.04 - 0.745	6,064,492	89	\$0.61	4,423,489	\$0.22

# Decision Dynamics Technology Ltd.

## Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

During the year \$92,132 (2007 - \$263,927) in compensation costs were recorded in the statement of income (loss) for the options granted to employees, officers and directors. The fair value of common share options granted in 2008 is estimated in the amount of \$103,175 (2007 - \$327,600) at the grant date using the Black-Scholes pricing model based on the following assumptions:

Risk free interest rate	2.61 to 3.77%
Expected life	7 - 10 years
Expected volatility	100%
Expected dividends	nil
Weighted average grant-date fair value	\$0.17

### (ii) Share Accumulation Plan

The Company has established a Share Accumulation Plan ("SAP") for Directors which enables non-employee directors of the Company to participate in the growth and development of the Company by providing such persons with the opportunity, through deferred share units ("DSUs"), to acquire a proprietary interest in the Company. Under the terms of the plan, each director elects annually to receive their annual compensation in cash, common shares issued from treasury or deferred share units.

For the first three quarters of 2008, four of the non-management directors elected to receive their compensation in DSUs, and one non-management director elected to receive cash. In the last quarter of 2008, the SAP was modified by the Company. Due to the declining share price, the calculation of shares to be allocated to the SAP has resulted in a much higher amount of shares being allocated to the SAP than was expected when the plan was developed. The directors determined that a modification of the SAP was necessary to address the impact of an undervalued share price. Under this modification, the share price used in the calculation of the quarterly share allocation would be set at \$.04 or the quarterly volume weighted average price, whichever is greater. For the quarter ended December 31, 2008, the quarterly volume weighted average price was less than \$.04, and the allocation of shares into the SAP was then calculated using a share price of \$.04.

In addition, the directors were given the option of receiving their annual compensation half in cash and half in DSUs, or completely in cash. For the last quarter of 2008, the majority of the non-management directors elected to receive their compensation split evenly between DSUs and cash, which provides the maximum amount of DSUs available under the modified SAP. Following termination of board service, the directors will receive the then current fair market value in common shares held in the nominal account.

A total of 1,200,000 shares have been allocated for issuance from treasury pursuant to this plan. Due to the decreasing share price, during the year 1,094,447 shares were allocated to directors, bringing the total allocation to 1,633,770 shares. The Company will ask shareholders at the Annual General and Special Meeting to approve a resolution to increase the number of shares allocated to the plan to 2,200,000. The declining share price has resulted in reduction of the fair market value of the total obligation to directors and a reduction in the total liability and in compensation of \$66,460 (2007 - (\$42,244)) has been recorded for the year. The total obligation is recorded as a liability as at December 31, 2008.

### (c) Warrants

On June 29, 2007, an agent was granted warrants to purchase 266,667 common shares at \$0.30 for a period of 18 months. The fair value of the warrants was estimated to be \$28,625 using the Black-Scholes pricing model and the assumptions shown below. These warrants expired in December 2008 and were added to contributed surplus upon expiration.

During 2007 the Company issued 4,252,498 warrants units pursuant to the private placement. A warrant was exercisable into one common share at a price of \$0.40 per share for a period of one year from the date of issuance thereof. The fair value of the warrants was estimated to be \$274,931 using the Black-Scholes pricing model and the assumptions shown below. These warrants expired in 2008, and the fair value of \$274,931 was allocated to contributed surplus upon expiration.

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements  
Years ended December 31, 2008 and 2007

	Agent – June 2007	Private Placement – July 2007
Risk free interest rate	4.56%	4.56%
Expected life	18 months	12 months
Expected volatility	100%	100%
Expected dividends	nil	Nil
Weighted average grant-date fair value	\$0.121	\$0.065

During 2006, the Company entered into an agreement to borrow US\$2.0 million. As part of this arrangement the Company issued warrants to purchase 1,265,000 common shares at \$0.55 (see note 6). As a result of the private placement during the year the exercise price of the warrants was reduced to \$0.305 per share.

Balance, December 31, 2006	\$	931,691
Warrants granted		274,931
Agents compensation warrants granted		28,598
Expired during the year		(582,026)
Balance, December 31, 2007		653,194
Expired during the year		(303,556)
Balance, December 31, 2008	\$	349,638

## (d) Contributed surplus

Balance, December 31, 2006	\$	984,815
Employee and director stock options		485,722
Forfeited		(108,213)
Warrants expired during the year		582,026
Balance, December 31, 2007		1,944,350
Employee and director stock options		330,479
Forfeited		(106,398)
Warrants expired during the year		303,556
Balance, December 31, 2008	\$	2,471,987

## 9 Future income taxes

- (a) The provision for income taxes differs from the amount that would be computed by applying the combined statutory Canadian federal and provincial income tax rates to income (loss) before taxes. The reasons for the difference are as follows:

	Year Ended December 31,	
	2008	2007
Income (Loss) before income taxes	\$254,379	(\$1,583,659)
Statutory rate	29.50%	32.12%
Computed income tax (recovery) at statutory rate	75,042	(508,671)
Increase (decrease) in taxes resulting from:		
Share issue costs	-	(21,475)
Deferred charges	-	63,036
Stock based compensation	27,179	139,563
Decrease in Canadian rates and US rate adjustment	(1,378,046)	(655,240)
Change in valuation allowance	1,275,825	982,787
Provision for income tax (recovery)	-	-

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

(b) The components of the future income tax balances are as follows:

	Year Ended December	
	2008	2007
Non-capital losses	\$8,127,543	\$6,569,795
Tax basis of equipment in excess of carrying amounts	6,184	52,592
Share issue costs	124,102	269,819
Scientific Research and Expenditure Development pool	108,779	319,035
Intellectual property and deferred charges	-	(120,458)
Valuation allowance	(\$8,366,608)	(\$7,090,783)
	-	-

The non-capital tax losses expire as follows:

2013	129,567
2021	3,674,114
2022	3,396,880
2023	2,974,933
2024	5,595,369
2025	5,122,556
2026	1,074,907
2027	1,572,789
2028	362,672

## 10. Restructuring

A significant amount of the Company's ongoing cost management was a restructuring of personnel, with most of this activity occurring in the second quarter of 2008. For the twelve months ended December 31, 2008, the Company recorded \$222,973 (2007 - \$47,794) of expenses related to severance packages for staff involved in restructuring. As of December 31, 2008 approximately \$71,000 in restructuring payments has been recorded as a liability.

## 11. Segmented information

The Company's operating activities are related to software licensing and services in the geographic segments of Canada and the United States of America.

Revenues by geographic segment	2008	2007
Canada	\$1,676,127	\$3,447,694
United States	535,796	554,361
Total	\$2,211,923	\$4,002,055

	2008	2007
<b>Property and equipment</b>		
Canada	\$495,568	\$490,102
United States	-	63,298
	\$495,568	\$553,400

<b>Goodwill</b>		
Canada	-	\$1,778,177

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

## 12. Economic dependence

The Company received revenue from seven customers for the year ended December 31, 2008 and 2007 (the customers are not the same for both years), amounting to approximately \$2.0 million (2007 – eight customers amounting to \$3.5 million) representing over 88 % (2007 - 87%) of total revenues. These customers are as follows:

Customer A	\$486,654	\$550,320
Customer B	430,905	136,742
Customer C	355,754	546,017
Customer D	240,232	1,087,988
Customer E	184,991	294,250
Customer F	170,369	255,314
Customer G	-	305,450
Customer H	81,911	294,409
Other customers	261,107	531,565
<b>Total</b>	<b>\$2,211,923</b>	<b>\$4,002,055</b>

## 13. Commitments

The Company has operating lease commitments for office space. The future minimum annual lease payments (including operating costs, taxes and parking if applicable) for the next two years, are as follows:

	<b>2008</b>	<b>2007</b>
2009	273,410	311,261
2010	225,649	225,101

## 14. Financial instruments

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these instruments. The Company has no capital lease obligations. The nature of these instruments and the Company's operations expose the Company to the following risks:

### (a) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. The extent of this risk depends on the credit quality of the customer. Most of the Company's customers are larger customers in the energy and utilities sector.

Credit approval and monitoring practices are incorporated into the Company's standard sales process to mitigate this risk. They include the review of the creditworthiness of new customers, monitoring customer payment performance and regular follow-up with all non-current customers. When it is determined that all or a portion of an account may not be collectible, the Company establishes an allowance for doubtful accounts. The Company has evaluated its accounts receivable at December 31, 2008 and determined that none of its outstanding receivables pose a credit risk to the Company.

The Company has trade accounts receivable of \$285,000 from five customers (2007 - \$482,000 from five customers), which represents about 99% (2007 - 83%) of total trade accounts receivable. The Company's total accounts receivable is aged as follows:

	<b>December 31 2008</b>	
Current (0 - 30 days from invoice date)	188,747	38%
1 - 30 days past due	170,258	34%
31 - 60 days past due	56,032	11%
Greater than 60 days past due	81,642	16%
	<u>496,679</u>	

# Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Years ended December 31, 2008 and 2007

---

## **(b) Interest risk**

The Company is exposed to interest rate risk on cash balances earning interest income and to the extent that it secures additional debt financing. As at December 31, 2008 the Company has no debt. The Company has invested \$3.3M in a 30 day GIC bearing interest at 1.65%, maturing on January 15, 2009.

## **(c) Liquidity risk**

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis and if it is unable to secure additional debt or equity financing when needed on a timely basis. This would impact the Company's ability to meet commitments to creditors. The Company manages its liquidity risk by carrying a target level of cash on its balance sheet, by maintaining a conservative capital structure, by prudently managing its credit risks and actively managing its accounts receivable.

## **(d) Foreign exchange risk**

The Company is exposed to foreign exchange risk primarily in the following ways:

- i. Cash flow – Approximately 25% of the Company's revenue is in US dollars, and a small portion of its expenses is in US dollars. Pricing for US customers is in US dollars.
- ii. Working capital – The Company has a Canadian dollar functional currency. As a result, the Company is exposed to foreign exchange risk for working capital items denominated in US dollars. At December 31, 2008 the Company had net working capital of \$285,000 denominated in US dollars.

The Company has not used financial instruments to manage its foreign currency exposures, although it may consider the use of such instruments in the future.

## **15. Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to seek to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity, and through the bi-monthly review of financial results and cash flow projections. The Company considers the shareholders equity to be the capital of the Company.

Based upon the current cash position of the Company, the dynamic nature of the technology market that the Company engages in, and the low level of tangible assets required, the capital strategy is to carry no debt at this time.

Where considered appropriate the Company may incur and carry additional debt from time-to-time to bridge short-term cash flow shortfalls.

## **16. Normal Course Issuer Bid**

The Company commenced a normal course issuer bid, effective for one year, on December 15, 2008. Under this bid, the Company may purchase for cancellation up to 3,020,623 million or 5% of its common shares outstanding as at December 15, 2008. No purchases under the normal course issuer bid were made during the fiscal year ended December 31, 2008. As of April 7, 2009, the Company has purchased 811,000 or 27% of the shares available under the terms of the normal course issuer bid.

## **17. Comparative figures**

Certain comparative figures have been reclassified to conform with the current year's presentation.



## Directors & Officers

### **William Dimma<sup>2</sup>**

Chairman of the Board and Director

### **Vernon Lobo**

Director,  
Managing Director of Mosaic Venture Partners

### **Elson McDougald<sup>1,2</sup>**

Director,  
Chairman and CEO, CanElsion Drilling Inc.

### **James C. Baillie<sup>1</sup>**

Director,  
Counsel to Torys LLP

### **Colum P. Bastable<sup>1</sup>**

Director,  
Chairman, Cushman & Wakefield LePage

### **Justin Zinke**

Director,  
Chief Executive Officer, Decision Dynamics Technology

### **Kim Tremblay**

Chief Financial Officer,  
Decision Dynamics Technology

### **Jason MacVicar**

Executive Vice President of Sales,  
Decision Dynamics Technology

### **Alex Illichov**

Vice President of Oncore Operations,  
Decision Dynamics Technology

### **Chris Ronak**

Vice President of Product Development,  
Decision Dynamics Technology

### **Notes:**

- 1 Member of Audit Committee
- 2 Member of the Corporate Governance,  
Human Resources & Compensation Committee

## Shareholder Information

### **Legal Counsel**

#### **Fraser Milner Casgrain LLP**

2900 Manulife Place  
10180-101 Street  
Edmonton, AB Canada T5J 3V5

### **Auditors**

#### **KPMG LLP Chartered Accountants**

2700-205 5<sup>th</sup> Avenue SW  
Calgary, AB Canada T2P 4B9

### **Investor Relations**

Justin Zinke, CEO  
Phone: 403.451.0731  
E-mail: [Justin.Zinke@ddytech.com](mailto:Justin.Zinke@ddytech.com)

### **Transfer Agent**

#### **Computershare Investor Services**

600, 530-8<sup>th</sup> Avenue SW  
Calgary, AB Canada T2P 3S8  
Phone: 800.564.6253 or 514.982.7515

### **Corporate Address**

#### **Calgary Headquarters**

300, 717-7<sup>th</sup> Avenue SW  
Calgary, AB Canada T2P 0Z3  
Phone: 403.451.0700  
Toll Free: 866.481.2741



**DECISION DYNAMICS**  
TECHNOLOGY

Decision Dynamics Technology | 300, 717, 7th Avenue SW | Calgary, Alberta Canada T2P0Z3  
| [www.ddytech.com](http://www.ddytech.com) | Phone: 403.451.0700 | 1866.481.2741