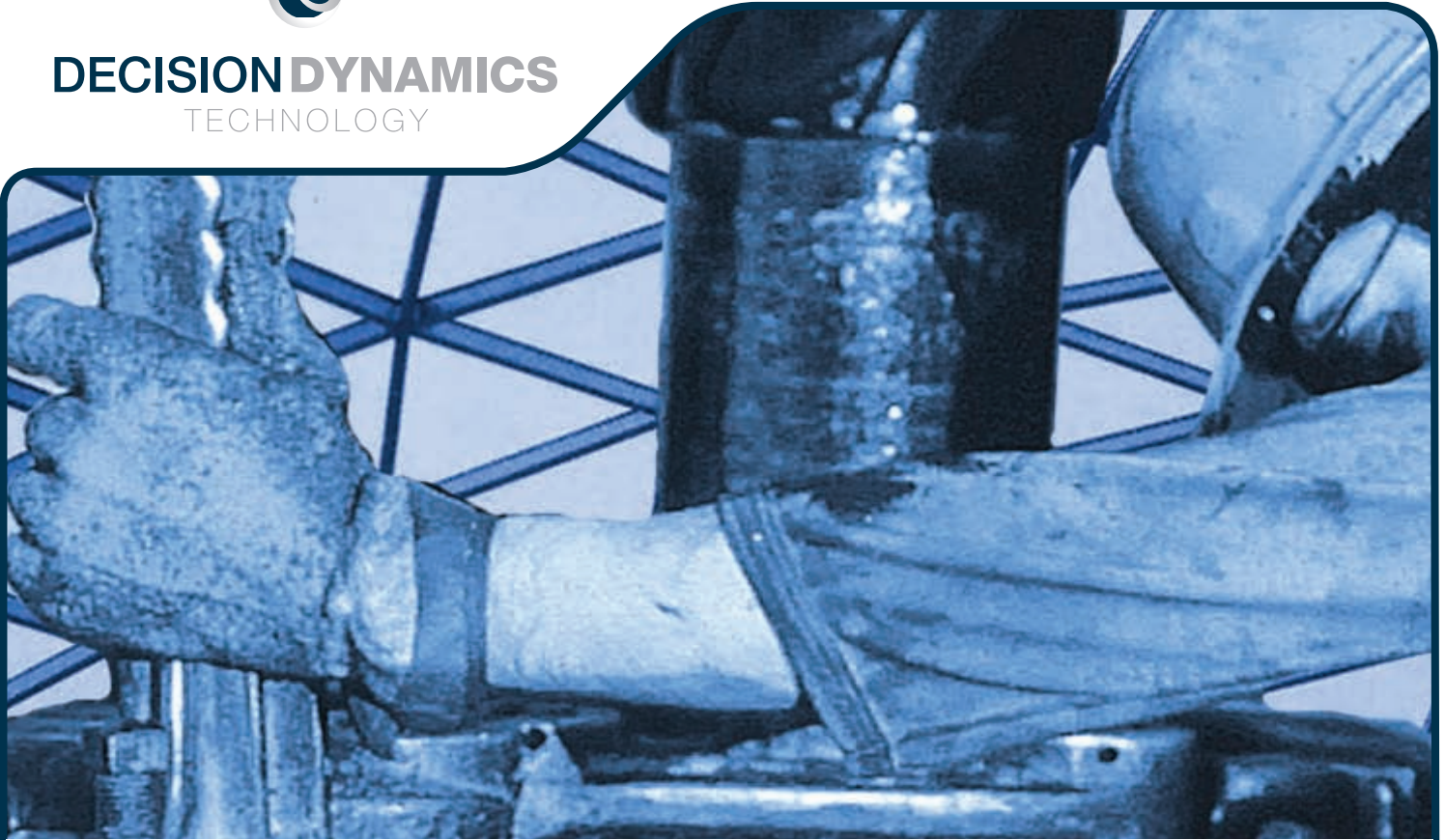




**DECISION DYNAMICS**  
TECHNOLOGY



## Interim Consolidated Financial Statements

For the Three and Six Month Periods Ended June 30, 2008 and 2007



Suite 300, 717 7th Avenue SW  
Calgary, AB T2P 0Z3 Canada

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**Decision Dynamics Technology Ltd.**  
**Report for the three and six month periods ended June 30, 2008 and 2007**

**MANAGEMENT'S REPORT**

The accompanying unaudited interim consolidated financial statements of Decision Dynamics Technology Ltd. ("DDyTech Ltd." or the "Company") for the three and six month periods ended June 30, 2008 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

August 29, 2008

*"signed" R.J.(Justin) Zinke*

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

*"signed" Kimberley Tremblay*

Kimberley Tremblay  
Acting Chief Financial Officer  
Calgary, Alberta

# Decision Dynamics Technology Ltd.

## Unaudited Consolidated Balance Sheets

|   | As at<br>June 30,<br>2008 | As at<br>December 31,<br>2007 |
|---|---------------------------|-------------------------------|
| <b>ASSETS</b>                               |                           |                               |
| <b>Current</b>                              |                           |                               |
| Cash and cash equivalents                   | \$510,589                 | \$1,106,618                   |
| Accounts receivable                         | 1,339,765                 | 2,076,932                     |
| Prepaid expenses                            | 87,947                    | 173,889                       |
|   | <hr/>                     | <hr/>                         |
|   | 1,938,301                 | 3,357,439                     |
| Property and equipment                      | 514,378                   | 553,400                       |
| Intangible assets                           | 209,132                   | 459,374                       |
| Goodwill                                    | 1,778,177                 | 1,778,177                     |
|   | <hr/>                     | <hr/>                         |
|   | \$4,439,988               | \$6,148,390                   |
| <hr/>                                       |                           |                               |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                           |                               |
| <b>Current</b>                              |                           |                               |
| Accounts payable and accrued liabilities    | \$1,020,692               | \$677,528                     |
| Deferred revenue                            | 639,010                   | 867,790                       |
| Current portion of long-term debt           | 281,594                   | 522,189                       |
|   | <hr/>                     | <hr/>                         |
|   | 1,941,296                 | 2,067,507                     |
| Shareholders' equity                        |                           |                               |
| Capital stock (note 3)                      | 27,606,710                | 27,606,710                    |
| Warrants (note 3)                           | 383,680                   | 653,194                       |
| Contributed surplus (note 3)                | 2,418,059                 | 1,944,350                     |
| Deficit                                     | (27,909,757)              | (26,123,371)                  |
|   | <hr/>                     | <hr/>                         |
|   | 2,498,692                 | 4,080,883                     |
|   | <hr/>                     | <hr/>                         |
|   | \$4,439,988               | \$6,148,390                   |
|   | <hr/>                     | <hr/>                         |

Future Operations (note 2)  
Subsequent Events (note 10)

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.

## Unaudited Consolidated Statements of Loss and Deficit

|   | Three Months Ending |                  | Six Months Ending |                  |
|---|---------------------|------------------|-------------------|------------------|
|   | June 30,<br>2008    | June 30,<br>2007 | June 30,<br>2008  | June 30,<br>2007 |
| <b>Revenue</b>                                    | \$1,456,550         | \$2,600,208      | \$3,074,340       | \$5,779,419      |
| Cost of sales                                     | (470,183)           | (918,150)        | (1,043,977)       | (1,678,443)      |
| <b>Gross profit</b>                               | 986,367             | 1,682,058        | 2,030,363         | 4,100,976        |
| <b>Expenses</b>                                   |                     |                  |                   |                  |
| Research and development                          | 403,638             | 614,712          | 883,887           | 1,255,724        |
| Selling and marketing                             | 368,362             | 654,450          | 825,306           | 1,289,111        |
| General and administration                        | 490,010             | 517,007          | 1,034,880         | 1,045,696        |
| Restructuring (Note 4)                            | 318,673             |                  | 414,719           |                  |
| Stock based compensation                          | 75,859              | 137,139          | 160,438           | 222,248          |
| <b>Income (loss) before the undernoted</b>        | (670,175)           | (241,250)        | (1,288,867)       | 288,197          |
| Amortization of property and equipment            | 47,385              | 56,819           | 88,310            | 106,299          |
| Amortization of intangible assets                 | 125,121             | 125,121          | 250,242           | 250,242          |
| Foreign exchange (gain) loss                      | 18,909              | (53,555)         | 4,524             | (63,821)         |
| Interest income                                   | (3,778)             | (5,670)          | (11,484)          | (12,401)         |
| Interest expense                                  | 80,533              | 96,556           | 165,927           | 208,473          |
| <b>Loss and comprehensive loss for the period</b> | (938,345)           | (460,521)        | (1,786,386)       | (200,595)        |
| <b>Deficit, beginning of period</b>               | (26,971,412)        | (24,279,786)     | (26,123,371)      | (24,539,712)     |
| <b>Deficit, end of period</b>                     | (27,909,757)        | (24,740,307)     | (27,909,757)      | (24,740,307)     |
| <b>Basic and diluted loss per share</b>           | (\$0.02)            | (\$0.01)         | (\$0.03)          | (\$0.00)         |

See accompanying notes to the consolidated financial statements.

# Decision Dynamics Technology Ltd

## Unaudited Consolidated Statements of Cash Flows

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|   | Three Months Ending |                    | Six Months Ending |                    |
|---|---------------------|--------------------|-------------------|--------------------|
|   | June 30,<br>2008    | June 30,<br>2007   | June 30,<br>2008  | June 30,<br>2007   |
| <b>Cash provided by (used in):</b>                  |                     |                    |                   |                    |
| <b>Operations</b>                                   |                     |                    |                   |                    |
| Cash received from customers                        | \$1,227,179         | \$1,946,044        | \$3,598,033       | \$4,889,073        |
| Cash paid to suppliers and employees                | (1,652,289)         | (2,581,213)        | (3,733,369)       | (5,613,715)        |
| Interest received                                   | 3,778               | 5,670              | 11,484            | 12,401             |
| Interest paid                                       | (22,980)            | (46,628)           | (52,831)          | (110,364)          |
|   | <u>(444,312)</u>    | <u>(676,127)</u>   | <u>(176,683)</u>  | <u>(822,605)</u>   |
| <b>Investing activity</b>                           |                     |                    |                   |                    |
| Purchase of equipment                               | (47,536)            | (14,269)           | (51,953)          | (20,312)           |
|   | <u>(47,536)</u>     | <u>(14,269)</u>    | <u>(51,953)</u>   | <u>(20,312)</u>    |
| <b>Financing activities</b>                         |                     |                    |                   |                    |
| Repayment of long-term debt                         | (185,699)           | (158,980)          | (364,916)         | (372,156)          |
| Issue of shares and warrants net of financing costs | -                   | 2,323,384          | -                 | 2,324,466          |
|   | <u>(185,699)</u>    | <u>2,164,404</u>   | <u>(364,916)</u>  | <u>1,952,310</u>   |
| <b>Changes in foreign currency</b>                  | <u>1,269</u>        | <u>(17,060)</u>    | <u>(2,477)</u>    | <u>9,912</u>       |
| Increase (decrease) in cash and cash equivalents    | (676,278)           | 1,456,948          | (596,029)         | 1,119,305          |
| Cash and equivalents, beginning of period           | <u>1,186,867</u>    | <u>706,347</u>     | <u>1,106,618</u>  | <u>1,043,990</u>   |
| Cash and equivalents, end of period                 | <u>\$510,589</u>    | <u>\$2,163,295</u> | <u>\$510,589</u>  | <u>\$2,163,295</u> |

See accompanying notes to the consolidated financial statements

# Decision Dynamics Technology Ltd

Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2008 and 2007

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## 1. Basis of presentation

The unaudited consolidated interim financial statements of Decision Dynamics Technology Ltd. (the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. The unaudited consolidated interim financial statements do not include all of the disclosures normally provided in annual financial statements and accordingly they should be read in conjunction with the audited consolidated financial statements, including the notes thereto, as at and for the year ended December 31, 2007.

The unaudited consolidated interim financial statements follow the same significant accounting policies and methods of application as the most recent audited financial statements of the Company as at and for the year ended December 31, 2007, except as noted in the following paragraph.

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 7), 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 6). The adoption of Section 3863 had no effect on the presentation of the Company's financial instruments.

## 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 \$28 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.

The Company continues to restrain expenses and to sell the Company's products to additional customers. However, as the sales cycle for the products tends to be lengthy, this has affected the Company's ability to create a positive cash flow.

In order to allow sufficient time for the Company to achieve sustained bottom-line profitability and positive cash flow, further initiatives will first be required. The Company has undertaken personnel restructuring in order to improve bottom line profitability, and has sold, subject to specified closing conditions, its Wellcore business to P2ES Canada Inc. (note 10). The Company believes that these two initiatives will enable it to continue as a going concern.

## 3. Share capital

### (a) Common shares

Authorized:

Unlimited number of voting common shares

Issued and outstanding common shares:

No common shares were issued during the six months ended June 30, 2008. At December 31, 2007 and June 30, 2008, 60,212,466 common shares were outstanding.

### (b) Stock based compensation

(i) Stock Option Plan

|                                   | Number           |
|-----------------------------------|------------------|
| <b>Balance, December 31, 2007</b> | <b>7,139,039</b> |
| Granted to current employees      | 500,000          |
| Expired                           | (178,887)        |
| Forfeited                         | (767,871)        |
| <b>Balance, June 30, 2008</b>     | <b>6,692,281</b> |

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2008

During the six month period ended June 30, 2008 \$196,889 (2007 - \$150,241) in compensation costs were recorded in the statement of operations and deficit for the options granted to employees, officers and directors. The fair value of common share options granted during the first two quarters of 2008 is estimated in the amount of \$84,000 (2007 - \$265,600) at the grant date using the Black-Scholes pricing model based on the following assumptions:

|  | <b>Six months</b> |
|--|-------------------|
| Risk free interest rate                | 3.77%             |
| Expected life                          | 7 years           |
| Expected volatility                    | 100%              |
| Expected dividends                     | Nil               |
| Weighted average grant-date fair value | \$0.168           |

### (ii) Share Accumulation Plan

A total of 1,200,000 shares have been allocated for issuance from treasury pursuant to the Share Accumulation Plan for directors. During the quarter 250,836 shares were allocated to directors. As at June 30, 2008, a total of 941,674 shares have been allocated to directors. Due to the decreasing share price, the fair market value of the total obligation to directors has decreased and a reduction in the total liability and in compensation of \$36,451 has been recorded for the first half of the year (2007 - \$79,506 (increase in compensation)).

### (c) Warrants

During June 2007, the Company issued 4,169,165 warrants pursuant to a private placement. These warrants were 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, with a fair value estimated to be \$269,514. As of June 30, 2008, these warrants were unexercised and expired.

|                                   | Amount         |
|-----------------------------------|----------------|
| <b>Balance, December 31, 2007</b> | 653,194        |
| Expired during the year           | (269,514)      |
| <b>Balance, June 30, 2008</b>     | <b>383,680</b> |

### (d) Contributed surplus

|                                     | Amount           |
|-------------------------------------|------------------|
| <b>Balance, December 31, 2007</b>   | 1,944,350        |
| Warrants expired during the year    | 269,514          |
| Employee and director stock options | 250,692          |
| Forfeited                           | (46,497)         |
| <b>Balance, June 30, 2008</b>       | <b>2,418,059</b> |

### (e) Per share amounts

The weighted average number of common shares outstanding for the three and six month periods ending June 30, 2008 was 60,212,466 (2007 - 51,685,931 and 51,984,347, respectively). The exercise of options would not have had a dilutive effect for the three and six month period ending June 30, 2008 and 2007.

## 4. Restructuring

A significant part of the Company's ongoing cost management is a restructuring of the personnel, with most of this occurring in the second quarter of 2008. For the first two quarters of the year, the Company recorded \$414,719 of expenses related to severance packages for staff involved in restructuring.

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2008

### 5. 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 | Three Months Ending |               | Six Months Ending |               |
|--------------------------------|---------------------|---------------|-------------------|---------------|
|                                | June 30, 2008       | June 30, 2007 | June 30, 2008     | June 30, 2007 |
| Canada                         | \$ 956,805          | \$ 1,387,079  | \$ 2,035,875      | \$ 3,711,539  |
| United States                  | 499,745             | 1,213,129     | 1,038,465         | 2,067,880     |
| Total                          | \$ 1,456,550        | \$ 2,600,208  | \$ 3,074,340      | \$ 5,779,419  |

| Property and Equipment | As at            |                  |
|------------------------|------------------|------------------|
|                        | Jun. 30, 2008    | Dec. 31, 2007    |
| Canada                 | \$455,504        | \$484,324        |
| United States          | 58,874           | 69,076           |
|                        | <u>\$514,378</u> | <u>\$553,400</u> |

|          |             |             |
|----------|-------------|-------------|
| Goodwill |             |             |
| Canada   | \$1,778,177 | \$1,778,177 |

### 6. Financial Instruments and Financial Risk Management

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 its customers. The extent of the risk depends upon the credit quality of the customer.

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.

During the quarter ended June 30, 2008, the Company received notification that a customer had filed for creditor protection, and amounts owing to the Company were being evaluated to determine if future payment could be made. The Company has recorded an allowance of \$15,322 in regards to this transaction. As at the end of the quarter, the Company believes that all other amounts are collectible.

The Company has accounts receivable of \$638,902 from five customers (2007 - \$1.22 million) which represents about 54% (2007 - 66%) of total accounts receivable.

#### (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 June 30, 2008 the Company has no variable interest debt.

#### (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 – About 34% of the Company's revenue is in US dollars. Debt repayments and a small portion of its expenses are in US dollars. Pricing for US customers for both product lines is in US dollars.

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2008

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- 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 June 30, 2008 the Company had net working capital of \$385,000 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.

### 7. 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 dynamic nature of the technology markets that the Company engages in, and the low level of tangible assets required, the capital strategy is to carry a very low level of debt (including capital leases). A formal debt to equity ratio has not been established by the Company.

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

### 8. Economic dependence

The Company received revenue from six customers for the six months ended June 30, 2008 and 2007 amounting to \$1.92 million (2007 - \$3.95 million) representing over 63% (2007 - 68%) of revenue.

### 9. Comparative figures

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

### 10. Subsequent events

On August 28, 2008 the Company signed a formal purchase and sale purchase and sale agreement with an arm's length purchaser, a subsidiary of P2 Energy Solutions, Inc. for the sale of the Company's Wellcore oil and gas well life cycle management software platform (the "Wellcore Asset Sale Agreement"), which assets include all of the assets (including all applicable intellectual property) and personnel associated with the development, marketing, sale and support of the Wellcore software application (collectively the "Wellcore Assets"). Completion of the proposed sale transaction is subject to the terms and satisfaction of the conditions set forth in the Wellcore Asset Sale Agreement including, among other conditions, that the Company receive TSX Venture Exchange ("TSXV") approval prior to closing. TSXV approval requires that the Company shareholders holding more than 50% of the outstanding shares have consented in writing to the proposed sale transaction. Upon completion of the Wellcore Asset sale, approximately half of the Company's technical, support and sales personnel will be transferred to the P2 Energy Solutions subsidiary. Under the Wellcore Asset Sale Agreement, the buyer has agreed to cash consideration of CAD\$5 Million for the Wellcore Assets, subject to holdback and release conditions. The Company is to receive approximately 80% of the proposed consideration upon the Wellcore Asset sale closing. Proceeds from the Wellcore Asset sale are intended to be used by the Company to focus on growing its Oncore software product.