



**DECISION DYNAMICS**  
TECHNOLOGY

# **Interim Consolidated Financial Statements**

**For the Three and Nine Month Periods  
Ended September 30, 2008 and 2007**



Suite 300, 717 – 7 Ave SW, Calgary, Alberta T2P 0Z3, Canada

# Decision Dynamics Technology Ltd.

Report for the three and nine month periods ended September 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 nine month periods ended September 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.

November 24, 2008

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

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

*"signed" Kimberley Tremblay* \_\_\_\_\_

Kimberley Tremblay  
Chief Financial Officer  
Calgary, Alberta

# Decision Dynamics Technology Ltd.

## Unaudited Consolidated Balance Sheets

	As at September 30, 2008	As at December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$5,149,014	\$1,106,618
Accounts receivable	488,941	806,405
Prepaid expenses	139,336	143,295.00
Assets of discontinued operations (note 3)	500,000	1,301,121
	<u>6,277,291</u>	<u>3,357,439</u>
Property and equipment	369,677	513,511
Goodwill	-	597,152
Assets of discontinued operations (note 3)	-	1,680,288
	<u>\$6,646,968</u>	<u>\$6,148,390</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$1,151,499	\$677,528
Deferred revenue	285,271	185,054
Current portion of long-term debt		522,189
Liabilities of discontinued operations (note 3)	-	682,736
	<u>1,436,770</u>	<u>2,067,507</u>
Shareholders' equity		
Capital stock (note 4)	27,606,710	27,606,710
Warrants (note 4)	378,263	653,194
Contributed surplus (note 4)	2,434,234	1,944,350
Deficit	(25,209,009)	(26,123,371)
	<u>5,210,198</u>	<u>4,080,883</u>
	<u>\$6,646,968</u>	<u>\$6,148,390</u>

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		Nine Months Ending	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
<b>Revenue</b>	\$455,230	\$664,759	\$1,663,108	\$3,151,066
Cost of sales	(308,105)	(245,487)	(843,623)	(1,098,927)
<b>Gross profit</b>	147,125	419,272	819,485	2,052,139
<b>Expenses</b>				
Research and development	252,618	319,097	677,660	1,030,127
Selling and marketing	65,754	290,441	459,522	885,526
General and administration	367,045	223,955	859,599	644,582
Restructuring (note 5)	69,359	11,150	213,665	19,955
Stock based compensation	2,502	89,664	97,314	275,063
<b>Income (loss) before the undernoted</b>	(610,153)	(515,035)	(1,488,275)	(803,114)
Amortization of property and equipment	26,799	31,601	70,954	95,355
Foreign exchange (gain) loss	18,252	(122,434)	48,996	(291,356)
Interest income	(2,455)	(5,257)	(6,725)	(9,173)
Interest expense	58,033	11,765	121,570	99,339
Goodwill impairment charge	597,152	-	597,152	-
<b>Loss and comprehensive loss for the period before discontinued operations</b>	(1,307,934)	(430,710)	(2,320,222)	(697,279)
Income (loss) from discontinued operations (including gain on disposal of \$3.6M) (note 3)	4,008,682	(364,569)	3,234,584	(298,595)
<b>Net income (loss) for the period</b>	2,700,748	(795,279)	914,362	(995,874)
<b>Deficit, beginning of period</b>	(27,909,757)	(24,740,307)	(26,123,371)	(24,539,712)
<b>Deficit, end of period</b>	(25,209,009)	(25,535,586)	(25,209,009)	(25,535,586)
<b>Basic and diluted income (loss) per share</b>	\$0.04	(\$0.01)	\$0.02	(\$0.02)

See accompanying notes to the consolidated financial statements.

# Decision Dynamics Technology Ltd

## Unaudited Consolidated Statements of Cash Flows

	Three Months Ending		Nine Months Ending	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
<b>Cash provided by (used in):</b>				
<b>Operations</b>				
Cash received from customers	\$622,359	\$1,249,986	\$1,920,696	\$2,845,947
Cash paid to suppliers and employees	(783,088)	(842,678)	(1,480,154)	(3,294,595)
Interest received	2,455	5,670	6,725	9,173
Interest paid	(9,464)	(15,719)	(28,814)	(51,844)
	<u>(167,738)</u>	<u>397,259</u>	<u>418,453</u>	<u>(491,319)</u>
<b>Discontinued operation</b>	394,076	(364,569)	(380,022)	(298,595)
<b>Investing activity</b>				
Purchase of equipment	(11,056)	(11,283)	(63,010)	(31,595)
<b>Financing activities</b>				
Repayment of long-term debt	(403,021)	(202,357)	(756,712)	(574,513)
Issue of shares and warrants net of financing costs	-	50,848	-	2,375,314
Proceeds on sale of discontinued operation	4,829,455		4,829,455	
	<u>4,426,434</u>	<u>(151,509)</u>	<u>4,072,743</u>	<u>1,800,801</u>
<b>Changes in foreign currency</b>	<u>(3,291)</u>	<u>19,213</u>	<u>(5,768)</u>	<u>29,124</u>
Increase (decrease) in cash and cash equivalents	4,638,425	(110,889)	4,042,396	1,008,416
Cash and equivalents, beginning of period	<u>510,589</u>	<u>2,163,295</u>	<u>1,106,618</u>	<u>1,043,990</u>
Cash and equivalents, end of period	<u>\$5,149,014</u>	<u>\$2,052,406</u>	<u>\$5,149,014</u>	<u>\$2,052,406</u>

See accompanying notes to the consolidated financial statements

# Decision Dynamics Technology Ltd

Notes to Unaudited Consolidated Financial Statements

Three and nine month periods ended September 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 8), 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 7). 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 \$25 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. This sale provided the Company with approximately \$4.8 million in cash. The Company used a portion of this cash to pay off its current debt, and currently has a cash balance of over \$5.1 million. The Company intends to use this cash to fund the operations of the business and make investments in both the Oncore technology and developing a sales team focused on growth of the product. Included in the sale was a holdback of \$.5 million that will be paid to the Company, subject to certain conditions. The Company continues to manage its operating expenses and is undertaking initiatives to decrease the sales cycle for the Oncore product, with the intent of achieving positive cash flow and sustained bottom-line profitability.

The sale of the Wellcore product line resulted in the elimination of the Company intangible assets and goodwill, as well as a reduction in accounts receivable, property and equipment and deferred revenue. Approximately half of the Company's technical, support and sales personnel transferred to a subsidiary of P2 Energy Solutions, Inc.

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and nine month periods ended September 30, 2008 and 2007

### 3. 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 are as follows:

	Three Months Ending		Nine Months Ending	
	September 30 2008	September 30 2007	September 30 2008	September 30 2007
<b>Revenue</b>	1,087,004	1,146,878	\$ 2,953,728	4,439,990
Cost of Sales	(201,695)	(448,593)	(710,154)	(1,246,730)
<b>Gross Profit</b>	885,309	698,285	2,243,574	3,193,260
<b>Expenses</b>				
Research and development	93,855	186,979	552,699	727,523
Selling and marketing	97,882	307,638	529,419	1,031,394
General and administration	158,715	208,474	693,658	815,989
Restructuring	3,168	24,889	273,581	34,923
Stock based compensation	(8,258)	39,992	65,014	76,841
Amortization of property and equipment	13,903	22,092	58,059	64,637
Amortization of intangible assets	108,877	125,121	359,119	375,363
Foreign exchange (gain) loss	(62,591)	72,425	(88,812)	177,526
Interest income	(3,919)	(9,574)	(11,132)	(18,060)
Interest expense	89,600	84,818	191,991	205,719
	491,233	1,062,854	2,623,596	3,491,855
<b>Income (loss) from discontinued operations before gain on sale of discontinued operations</b>	\$ 394,076	\$ (364,569)	\$ (380,022)	\$ (298,595)
<b>Gain on sale of discontinued operations</b>	\$ 3,614,606	\$ -	\$ 3,614,606	\$ -
<b>Income (loss) from discontinued operations</b>	\$ 4,008,682	\$ (364,569)	\$ 3,234,584	\$ (298,595)

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

	September 30, 2008	December 31, 2007
Accounts Receivable	\$ 500,000	\$ 1,270,527
Prepays		30,594
Property and equipment		39,889
Intangible assets		459,374
Goodwill		1,778,177
Deferred revenue		(682,736)
	\$ 500,000	\$ 2,895,825

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and nine month periods ended September 30, 2008 and 2007

The accounts receivable of \$500,000 is a holdback receivable that will be paid out to the Company, subject to certain conditions.

### 4. Share capital

#### (a) Common shares

Authorized:

Unlimited number of voting common shares

Issued and outstanding common shares:

No common shares were issued during the nine months ended September 30, 2008. At December 31, 2007 and September 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	(622,273)
Forfeited	(2,016,213)
<b>Balance, September 30, 2008</b>	<b>5,000,553</b>

During the nine month period ended September 30, 2008 \$97,314 (2007 - \$275,063) 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 three 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:

	Nine months
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 1,700,000 shares have been allocated for issuance from treasury pursuant to the Share Accumulation Plan for directors. During the quarter 551,471 shares were allocated to directors. As at September 30, 2008, a total of 1,493,145 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 \$52,150 has been recorded for the first nine months of the year (2007 - \$90,261 (increase in compensation)).

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and nine month periods ended September 30, 2008 and 2007

### (c) Warrants

During the second and third quarter of 2007, the Company issued 4,252,498 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 \$274,931. As of September 30, 2008, these warrants had expired unexercised.

	Amount
<b>Balance, December 31, 2007</b>	\$653,194
Expired during the period	(274,931)
<b>Balance, September 30, 2008</b>	<b>\$378,263</b>

At September 30, 2008, there remain 1,531,667 warrants outstanding, of which 266,667 will expire in December 2008, and the remaining 1,265,000 will expire in January 2011.

### (d) Contributed surplus

	Amount
<b>Balance, December 31, 2007</b>	\$1,944,350
Warrants expired during the period	274,931
Employee and director stock options Forfeited	321,351 (106,398)
<b>Balance, September 30, 2008</b>	<b>\$2,434,234</b>

### (e) Per share amounts

The weighted average number of common shares outstanding for the three and nine month periods ending September 30, 2008 was 60,212,466 (2007 – 60,126,472 and 54,647,180 respectively). The exercise of options would not have had a dilutive effect for the three and nine month period ending September 30, 2008 and 2007.

## 5. 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 three quarters of the year, the Company recorded \$213,665 of expenses related to severance packages for staff involved in restructuring.

## 6. Segmented information

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

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and nine month periods ended September 30, 2008 and 2007

Revenues by geographic segment	Three Months Ending		Nine Months Ending	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Canada	\$ 294,183	\$ 642,865	\$ 1,302,900	\$ 2,701,874
United States	161,047	21,894	360,208	449,192
<b>Total</b>	<b>\$ 455,230</b>	<b>\$ 664,759</b>	<b>\$ 1,663,108</b>	<b>\$ 3,151,066</b>

	As at	
	Sept 30, 2008	Dec. 31, 2007
<b>Property and Equipment</b>		
Canada	\$342,105	\$484,324
United States	27,573	69,076
	<b>\$369,678</b>	<b>\$553,400</b>
<b>Goodwill</b>		
Canada	-	\$1,778,177

## 7. 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 second quarter, 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 third quarter, the Company believes that all other amounts are collectible.

The Company has accounts receivable of \$231,598 from five customers (2007 - \$302,731) which represents about 45% (2007 - 38%) 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 September 30, 2008 the Company has no debt. The Company has invested \$4M in a no risk 30 day GIC bearing interest at 3.09%.

### (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 20% 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.
- 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 September 30, 2008 the Company had net working capital of \$688,000 denominated in US dollars.

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and nine month periods ended September 30, 2008 and 2007

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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.

### **8. 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.

### **9. Economic dependence**

The Company received revenue from six customers for the nine months ended September 30, 2008 and 2007 amounting to \$1.40 million (2007 - \$2.48 million) representing over 85% (2007 - 79%) of revenue.

### **10. Comparative figures**

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