



DECISION DYNAMICS
TECHNOLOGY

Management Discussion and Analysis

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



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

November 24, 2008

Management Discussion and Analysis

The Management Discussion and Analysis focuses on key items from the unaudited Consolidated Financial Statements for Decision Dynamics Technology Ltd. ("Decision Dynamics" or the "Company") for the three and nine month periods ended September 30, 2008 and 2007. These statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information regarding the Company is available on SEDAR at 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:

- volatility of the financial markets will stabilize
- companies will continue to acquire 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 Company disclaims any intention or obligation to publicly update or revise any forward-looking statements 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.

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Financial Highlights

Stated in thousands of Canadian dollars except per share amounts

\$'000 except per share amounts	Three Months Ending		Nine Months Ending	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Operating Results				
Revenue	\$455	\$665	\$1,663	\$3,151
Net Income (loss)	2,700	(795)	914	(996)
Basic and diluted income (loss) per share, before discontinued operations	(0.02)	(0.01)	(0.04)	(0.01)
Basic and diluted income (loss) per share, after discontinued operations	0.04	(0.01)	0.02	(0.02)
EBITDAS ⁽¹⁾	(592)	(442)	(1,341)	(614)
Financial Position				
Cash and Equivalents			5,149	2,052
Working Capital			5,210	4,687
Total Assets			6,647	7,289

(1) "EBITDAS" means earnings from continuing operations before interest, taxes, depreciation, amortization, loss on sale of assets and non-cash stock based compensation. Readers are cautioned that EBITDAS does not have a standardized meaning under GAAP and may not be comparable to others companies in the industry; however, the Company believes it is an important measure of performance and indicator of success for software businesses and is relevant to readers within the investment community. The derivation of EBITDAS is shown in the Results of Operations section below.

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.

On September 16, 2008, the Company completed negotiations with a subsidiary of P2 Energy Solutions, Inc. for the disposition of the Wellcore oil and gas well life cycle management software platform, which included all of the Wellcore software, all applicable intellectual property including intangibles and goodwill, accounts receivable, deferred revenues and marketing and other materials. The disposition included a transfer of all personnel associated with the development, marketing, sale and support of the Wellcore software application, which represented approximately half of the Company's personnel. The Company received approximately \$4.8 million, composed of the purchase price of \$5.0 million plus receivables less deferred revenue. A holdback of \$.5 million will be paid to the Company during the year, subject to certain conditions. Management intends to use the influx of capital to invest in development of the Oncore line of products, and aggressively invest in the sales and marketing resources required for the Company to achieve its revenue potential. In addition, the Company used a portion of the cash proceeds to pay off its existing debt.

During the third quarter, the Company hired an Executive Vice President of Sales, as the first step in building a dynamic and cohesive sales force aimed at targeting new growth opportunities for Oncore, as well as increasing the implementation of Oncore within the Company's existing customer base. The Company feels that this position 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.

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, and to disclose the assets, liabilities, revenues and expenses associated with the Wellcore business as results from discontinued operations.

(b) Significant accounting policies

The consolidated financial statements for the three and nine months ended September 30, 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

	Three Months Ending		Nine Months Ending	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
\$'000 except per share amounts				
Revenue	\$455	\$665	\$1,663	\$3,151
Expenses	1,066	1,180	3,152	3,954
	(611)	(515)	(1,489)	(803)
Other (amortization, interest, other)	(698)	84	(832)	106
Loss before discontinued operations	(1,309)	(431)	(2,321)	(697)
Amortization and other	698	(84)	832	(106)
Non-cash share compensation	19	73	148	189
EBITDAS	(592)	(442)	(1,341)	(614)
Net Income (Loss)	2,700	(795)	914	(996)

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In 2007, the Company had two large sales in the first nine months of the year that were not repeated in 2008. Services revenue is also down due to less services staff available to generate revenue in 2008.

Total expenses have reduced 20% for the first nine months of the year, compared to 2008, as a result of staff reductions and cost cutting. Total expenses for the third quarter of 2008 as compared to 2007 are down 10%, with savings from personnel reductions being offset by one-time expenses incurred in restructuring, closing down of the Houston and Edmonton offices, relocation of the data centre facility, and consulting in 2008.

Amortization and other costs are higher in 2008 due to foreign exchange losses, as the US dollar strengthened during the year. In the third quarter of 2008, as through all of 2008, non-cash share compensation was reduced by the forfeiture of options as a result of terminations.

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

Revenue

	\$ '000	Three Months Ending		Nine Months Ending	
		Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
License		\$317	\$367	\$868	\$2,149
Services		138	298	795	1,002
Total		\$455	\$665	\$1,663	\$3,151

License revenues for the nine month period ending September 30, 2008 compared to September 30, 2007 are down largely as a result of strong sales of Oncore in the first half of 2007. Service revenues are down largely due to the smaller number of personnel in the services department, which impacts the Company's ability to generate services revenue.

The Company's revenue recognition policy is set out in the 2007 annual financial statements. Revenue may be dependent upon project activity levels (expenditures) plus the timing of product implementation and contract approvals. Revenue from sales of perpetual licenses generally is recognized once the product has been delivered, that is, installed and is ready for use by the customer. Service and support revenues generally are recognized as delivered (percentage completion). 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.

The Company's revenues are largely dependent upon a small number of customers. Historically the top six customers have provided about 75-85% of quarterly revenues. The dependence upon a small number of customers is expected to decline as the Company expands its customer base and increases the amount of recurring revenue. About 20% of the Company's revenues are derived from US based customers, which is up slightly from 15% in 2007, as more revenue was generated from Canadian customers.

Gross profit

	\$ '000	Three Months Ending		Nine Months Ending	
		Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Revenue		\$455	\$665	\$1,663	\$3,151
Cost of sales		(308)	(245)	(844)	(1,099)
Gross profit		\$147	\$420	\$819	\$2,052
Gross margin		32%	63%	49%	65%

Cost of sales includes the cost of service and support personnel, hosting costs and sales commissions. During the quarter ended September 20, 2008, the Company undertook the relocation of its 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's Discussion and Analysis. It is further qualified by the Operating Risks section at the end of this Management Discussion and Analysis.

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At this early stage of the Company's development, the growth in service revenues is not directly comparable to the growth in the cost of sales particularly the service cost component. Service personnel may work on other departments' projects thereby reducing their contribution to service revenues, warranty work does not produce revenues and the level of non-chargeable and administrative tasks will vary throughout the year.

The decrease in gross margin for the first nine months of the year, and for the quarter, is due in part to the much lower service revenues as a proportion of total revenues, as well as the additional hosting fees while the data centre is relocated. There is more lost time and less efficiency when sales are low. As well, with fewer staff there is less opportunity for cross-over work between departments.

Expenses

\$ '000	Three Months Ending		Nine Months Ending	
	Sept. 30, 2008	Sept. 30, 2007	Sept. 30, 2008	Sept. 30, 2007
Research and development	\$253	\$319	\$678	\$1,030
Selling and marketing	66	290	460	886
General and administration	367	224	860	645
Restructuring costs	69	11	214	20
Share Accumulation Plan	(15)	7	(52)	79
Other Stock based compensation	18	83	149	196
	<u>\$758</u>	<u>\$934</u>	<u>\$2,309</u>	<u>\$2,856</u>

Although the quarter ended September 30, 2008 included higher one-time expenses related to consulting, restructuring, and losses on asset disposals, expenses decreased 19% in the third quarter of 2008, as compared to the same period in 2007. This decrease, as well as the 19% decrease in expenses for the first nine months of the year, as compared to last year, is due to the effect of ongoing cost cutting during 2008. The impact of the cost savings program has been partially mitigated by the increase in restructuring and recruiting expenses incurred in 2008, as the Company realigned its organizational structure. As well, the period ended September 30, 2008 includes additional one-time expenses related to costs and losses on asset disposals recorded as a result of the closure of the Edmonton and Houston offices, and consulting expenses as the Company begins to execute on its investment in research and development.

There is some overlap between R&D and service personnel competencies. This provides some flexibility to the Company in the allocation of personnel to service projects and to new product development. Accordingly, even if staff levels remain constant, departmental charges will vary depending upon where the individuals are employed. For example, service personnel may be employed in sales or research and development personnel may assist in implementations or to support the sales process. Decision Dynamics utilizes the Oncore system to allocate personnel charges between departments. Decreases in research and development and sales and marketing are due to staff reductions and targeted cutbacks during the first nine months of 2008. The increase in general and administration is predominantly due to higher salaries in 2008, expenses related to costs and losses on asset disposals recorded as a result of the closure of both the Edmonton and Houston offices, as well as higher consulting expenses.

The cost recovery for the Directors' Share Accumulation Plan results from the reduction in the price of the Company's shares. Each quarter a number of share units are allocated to the directors. The total number of shares at the end of each quarter is valued at the closing price and the increase or decrease from the prior quarter end is recognized in the quarter. Stock based compensation for 2008 has decreased from 2007 as a result of forfeiture of options as a result of terminations.

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Amortization and Other Expenses

\$ '000	Three Months Ending		Nine Months Ending	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
Amortization of property and equipment	\$27	\$32	\$71	\$95
Foreign exchange loss (gain)	18	(122)	49	(292)
Interest income	(3)	(5)	(7)	(9)
Interest expense	58	12	122	99
Goodwill impairment loss	597	-	597	-
	<u>\$697</u>	<u>(\$83)</u>	<u>\$832</u>	<u>(\$107)</u>

Amortization of property and equipment has declined this year compared to last year, as the Company has minimized its capital expenditures and uses the declining balance method of amortization.

This has been a period of significant exchange rate fluctuations with the US dollar strengthening against the Canadian dollar throughout 2008. Foreign exchange differences arise from differences in the rate when the Company records sales to US customers and the rate when the accounts receivable are paid; differences arising from the conversion of assets owned by the Company's US subsidiary from US dollars to Canadian dollars and conversion of the US dollar denominated long term debt to Canadian dollars. About 20% of the Company's revenues are from US customers. Foreign exchange fluctuations will continue and may vary substantially from quarter to quarter.

Interest expense is primarily due to the long-term borrowing the Company entered into during the first quarter of 2006. This debt was completely repaid during the third quarter of 2008.

During the third quarter, 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 over \$22 million dollars of tax pools available in Canada and the United States to offset future 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.

Net Income (loss)

\$ '000 except per share amounts	Three Months Ending		Nine Months Ending	
	Sept 30, 2008	Sept 30, 2007	Sept 30, 2008	Sept 30, 2007
EBITDAS	(\$592)	(\$442)	(\$1,341)	(\$697)
Net Income (loss)	<u>\$2,700</u>	<u>(\$795)</u>	<u>\$914</u>	<u>(\$996)</u>
Income (loss) per share, before discontinued operations	<u>(\$0.02)</u>	<u>(\$0.01)</u>	<u>(\$0.04)</u>	<u>(\$0.02)</u>
Income (loss) per share, after discontinued operations	<u>\$0.04</u>	<u>(\$0.01)</u>	<u>\$0.02</u>	<u>(\$0.02)</u>

The gain on the sale of the Wellcore assets in the third quarter of 2008 resulted in positive income. Excluding this gain, the positive impact of the Company's cost reduction program has been more than offset by the lower sales resulting in negative EBITDAS and a net loss for all periods presented

Liquidity and capital resources

Working Capital

The sale of Wellcore product line in the third quarter of 2008 has provided the Company with a boost to working capital. At the end of 2007, working capital was \$1.29 million, as compared to \$4.84 million as of September 30, 2008. The Company paid off its existing debt completely during the quarter. All trade accounts receivable are considered collectible as of September 30, 2008, and are expected to be collected within the next quarter. A holdback of \$.5 million is included in receivables, and will be paid to the Company during the year, subject to certain conditions. The remaining accounts payable and accrued liabilities are planned for payment over the next six months, depending on the nature of the payable and/or accrual.

Capital requirements

The inflow of capital from the sale of the Wellcore product line to a subsidiary of P2 Energy Solutions, Inc. has provided the Company with the financial capacity for continued development of the Oncore line of products, investment in sales and marketing, and to pay off all existing debt.

Share Capital

As at November 14, 2008 Decision Dynamics had 60,212,466 shares outstanding with a book value of \$27,606,710, 5,000,553 share options to purchase common shares outstanding, 1,531,667 warrants to purchase common shares and 1,493,145 deferred share units outstanding.

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.

The Company has taken steps to mitigate the risk of decreased sales through the recruitment of a sales team that is focused on identification of pipeline opportunities that fit our customer profile, and present a need that the Oncore product can fulfill. In addition, we have undertaken the adoption of a successful sales methodology that will enable the sales organization to accelerate pipeline opportunities into closed sales. We also intend to deploy a 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. With the softened economy, customers are increasingly focused on cost control and productivity improvement solutions. The sales model that the Company intends to deploy will provide our customers with the opportunity to manage and control their project costs in a cost-effective, efficient manner.

3. Product Development

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 both pipeline opportunities into revenue, and to maintain our existing customer relationships.

Management has developed 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.