

2009

Interim Consolidated Financial Statements

For the Three and Nine Month Periods Ended September 30, 2009 and 2008



DECISION DYNAMICS
TECHNOLOGY

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Decision Dynamics Technology Ltd.

Report for the three and nine month periods ended September 30, 2009 and 2008

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, 2009 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 23, 2009

"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, 2009	As at December 31, 2008
ASSETS		
Current		
Cash and cash equivalents	\$2,384,743	\$3,815,016
Accounts receivable (note 7)	714,269	496,679
Prepaid expenses	143,380	147,728
Assets of discontinued operations (note 4)	261,754	435,786
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	3,504,146	4,895,209
Long term accounts receivable (note 7)	226,571	-
Property and equipment	392,860	495,568
	<hr/>	<hr/>
	\$4,123,577	\$5,390,777
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$446,519	\$694,859
Deferred revenue - current	285,176	136,575
	<hr/>	<hr/>
	731,695	831,434
Deferred revenue - long term	51,920	-
Shareholders' equity		
Capital stock (note 5)	27,053,315	27,606,710
Warrants (note 5)	349,638	349,638
Contributed surplus (note 5)	2,994,923	2,471,987
Deficit	(27,057,914)	(25,868,992)
	<hr/>	<hr/>
	3,339,962	4,559,343
	<hr/>	<hr/>
	\$4,123,577	\$5,390,777

Future operations (note 3)

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 Income (Loss) and Deficit

	Three Months Ending		Nine Months Ending	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Revenue	\$478,221	\$455,230	\$2,730,987	\$1,663,108
Cost of sales	(225,152)	(308,105)	(897,720)	(843,623)
Gross profit	253,069	147,125	1,833,267	819,485
Expenses				
Research and development	282,419	252,618	873,960	677,660
Selling and marketing	239,756	65,754	818,444	459,522
General and administration	280,009	367,045	820,136	859,599
Restructuring (note 6)	-	69,359	206,210	213,665
Stock based compensation	34,226	2,502	135,634	97,314
Total Expenses	836,410	757,278	2,854,384	2,307,760
Loss before the undernoted	(583,341)	(610,153)	(1,021,117)	(1,488,275)
Amortization of property and equipment	47,622	26,799	141,512	70,954
Foreign exchange (gain) loss	(5,676)	18,252	23,597	48,996
Interest income	(5,627)	(2,455)	(14,463)	(6,725)
Interest expense	2,696	58,033	17,158	121,570
Goodwill impairment charge	-	597,152	-	597,152
Loss and comprehensive loss before discontinued operations	(622,356)	(1,307,934)	(1,188,921)	(2,320,222)
Income from discontinued operations (including gain on disposal of \$3.6M) (note 4)	-	4,008,682	-	3,234,584
Net income (loss) after discontinued operations	(622,356)	2,700,748	(1,188,921)	914,362
Deficit, beginning of period	(26,435,558)	(27,909,757)	(25,868,993)	(26,123,371)
Deficit, end of period	(27,057,914)	(25,209,009)	(27,057,914)	(25,209,009)
Basic and diluted loss per share, before discontinued operations	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.04)
Basic and diluted income (loss) per share, after discontinued operations	(\$0.01)	\$0.04	(\$0.02)	\$0.02

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, 2009 and 2008

	Three Months Ending		Nine Months Ending	
	Sept 30, 2009	Sept 30, 2008	Sept 30, 2009	Sept 30, 2008
Cash provided by (used in):				
Operations				
Cash received from customers	\$563,353	\$622,359	\$2,424,622	\$1,920,696
Cash paid to suppliers and employees	(1,061,218)	(783,088)	(3,940,168)	(1,480,154)
Interest received	5,627	2,455	14,463	6,725
Interest paid	(2,696)	(9,464)	(17,158)	(28,814)
	<u>(494,934)</u>	<u>(167,738)</u>	<u>(1,518,241)</u>	<u>418,453</u>
Discontinued operation	5,985	394,076	174,032	(380,022)
Investing activity				
Purchase of equipment	(2,574)	(11,056)	(38,804)	(63,010)
Financing activities				
Repayment of long-term debt	-	(403,021)	-	(756,712)
Repurchase of shares	-	-	(47,320)	-
Proceeds on sale of discontinued operation	-	4,829,455	-	4,829,455
	<u>-</u>	<u>4,426,434</u>	<u>(47,320)</u>	<u>4,072,743</u>
Changes in foreign currency	<u>28</u>	<u>(3,291)</u>	<u>60</u>	<u>(5,768)</u>
Decrease in cash and cash equivalents	(491,495)	4,638,425	(1,430,273)	4,042,396
Cash and equivalents, beginning of period	<u>2,876,238</u>	<u>510,589</u>	<u>3,815,016</u>	<u>1,106,618</u>
Cash and equivalents, end of period	<u>\$2,384,743</u>	<u>\$5,149,014</u>	<u>\$2,384,743</u>	<u>\$5,149,014</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, 2009 and 2008

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 ("GAAP") 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, 2008. 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, 2008.

2. Future accounting changes

Convergence with International Financial Reporting Standards ("IFRS")

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. These standards will require the Company to begin reporting under IFRS in the first quarter of 2011 with comparative data for the prior year.

The Company has undertaken its IFRS transition project, which includes three key phases: Initial assessment, Design, and Implementation.

Initial assessment - the Company has established its IFRS project team and has developed a preliminary timeline to comply with the changeover date, recognizing that specific project activities and timelines may change as a result of future developments.

Design and development - The Company is currently working through its in-depth review of accounting and reporting differences and is in the process of evaluating and selecting appropriate IFRS accounting policies as well as examining potential IFRS 1 exemptions. The Company has taken initial steps to evaluate the impact on accounting systems and business activities.

Implementation - This phase includes the integration of solutions into processes and accounting systems required for the conversion to IFRS and for the parallel reporting required during the year of transition. Required system and process changes are planned to be completed by the end of the Q1 2010. The Company is monitoring the International Accounting Standards Board's active projects and all changes to IFRS prior to January 1, 2011 will be incorporated as required.

Business combinations

In January 2009, the CICA issued Handbook Section 1582 - "Business Combinations" which will replace Handbook Section 1581 - "Business Combinations". Section 1582 requires that most identifiable assets, liabilities, non-controlling interests and goodwill acquired in a business combination will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also requires acquisition-related costs to be expensed as incurred and provides guidance on the accounting for restructuring costs. This new standard substantially harmonizes Canadian GAAP with IFRS. This section is applied prospectively to business combinations for which the acquisition date is on or at the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. We are currently assessing the impact of this new standard.

Consolidated financial statements

In January 2009, the CICA issued Handbook Sections 1601 - "Consolidated Financial Statements" and 1602 - "Non-controlling Interests" which will replace Handbook Section 1600 - "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These new standards

Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three and nine month periods ended September 30, 2009 and 2008

substantially harmonize Canadian GAAP with IFRS. These sections are to be implemented concurrently with Section 1582. We are currently assessing the impact of this new standard.

3. 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. At the end of Q3 2009, the Company had a cash balance of \$2.4 million, as compared to \$2.8 at the end of Q2 2009.

Management believes that its current working capital, in addition to the cash flow expected to be generated from operations, will be sufficient to allow the Company to continue to execute on its strategic objectives successfully. However, our ability to be successful will be contingent upon increased acceptance of the Oncore™ product and expansion of our overall customer base. The Company is closely monitoring expenses and continuing to undertake sales initiatives to build a strong pipeline and shorten the sales cycle. In order to continue the execution of our strategic objectives, the Company may consider alternative options that will provide the Company with the additional capital and resources required.

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.

4. Discontinued operations

In Q3 2008, the Company sold the Wellcore product line to P2 Canada Energy Inc. The results of the discontinued operation for the three and nine months ended September 30, 2008:

	Three Months Ending September 30, 2008	Nine Months Ending September 30, 2008
Revenue	\$ 1,087,004	\$ 2,953,728
Cost of Sales	<u>(201,695)</u>	<u>(710,154)</u>
Gross Profit	885,309	2,243,574
Expenses		
Research and development	93,855	552,699
Selling and marketing	97,882	529,419
General and administration	158,716	693,658
Restructuring	3,168	273,581
Stock based compensation	(8,258)	65,014
Amortization of property and equipment	13,903	58,059
Amortization of intangible assets	108,877	359,119
Foreign exchange gain	(62,591)	(88,812)
Interest income	(3,919)	(11,132)
Interest expense	<u>89,600</u>	<u>191,991</u>
	491,233	2,623,596
Income (loss) from discontinued operations before gain on sale of discontinued operations	\$ 394,076	\$ (380,022)
Gain on sale of discontinued operations	<u>\$ 3,614,606</u>	<u>\$ 3,614,606</u>
Income from discontinued operations	<u>\$ 4,008,682</u>	<u>\$ 3,234,584</u>

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Notes to Unaudited Consolidated Financial Statements

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The Company currently has a \$261,754 receivable, related to the sale of the Wellcore product line. At the time of the sale, the Company had a \$500,000 receivable and during Q1 2009, the Company received payment on a portion of the outstanding balance recorded at December 31, 2008. During Q3 2009, the Company received notification that the purchaser intended to withhold payment of the remaining receivable, pending their review of the original purchase price of the Wellcore product line. Subsequent to September 30, 2009, the Company has filed a statement of claim for the full amount of the outstanding receivable, in addition to expenses incurred in order to recover this amount.

5. Share capital

(a) Common shares

Authorized:

Unlimited number of voting common shares

Issued and outstanding common shares:

	#	Amount
Balance, December 31, 2008	60,212,466	\$ 27,606,710
Purchased and cancelled	(1,206,000)	(552,937)
Purchased for cancellation		(30)
Balance, June 30, 2009	59,006,466	\$ 27,053,743
Purchased and cancelled	(1,000)	(428)
Balance, September 30, 2009	59,005,466	\$ 27,053,315

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 or 5% of its common shares outstanding as at December 15, 2008. Monthly purchases are limited to 1,204,249 or 2% of the common shares outstanding as at December 15, 2008.

As of September 30, 2009, the Company has purchased and cancelled 1,207,000 or 40% of the shares authorized for purchase under the terms of the normal course issuer bid, for total consideration of \$47,320, or an average stock price of \$0.039 per share. The excess weighted average carrying amount of common shares purchased over amounts paid under the normal course issuer bid of \$506,075 has been included in contributed surplus.

(b) Stock based compensation

(i) Stock Option Plan

	Number
Balance, December 31, 2008	6,064,492
Expired	(1,723,974)
Forfeited	(111,001)
Balance, June 30, 2009	4,229,517
Granted	175,000
Expired	-
Forfeited	(50,000)
Balance, September 30, 2009	4,354,517

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Stock options outstanding as at September 30, 2009 under this plan are as follows:

Option Exercise Price	Options Granted
\$0.04	1,400,000
\$0.045	150,000
\$0.16	1,944,636
\$0.205 - \$0.31	270,000
\$0.55 - \$0.745	589,881
	4,354,517

During the three and nine month periods ended September 30, 2009, \$6,598 and \$17,487 (2008 - \$18,202 and \$149,468) in compensation costs were recorded in the statement of income (loss) and deficit for the options granted to employees, officers and directors.

Subsequent to September 30, 2009, the Company's board of directors, on November 23, 2009, approved the Company making a shares for service application to the TSX Venture Exchange Inc. ("TSXV"), whereby all employees of the Company, excluding officers and directors, would receive shares for their service. Subject to TSXV approval, the proposed shares for service allocation would include the issuance of 973,133 shares, over a period of three years. During Q4 2009, it is proposed that 324,388 shares for services will be issued at a deemed market price of \$0.06 (the market price of the Company's shares on November 23, 2009). The remaining 648,745 under the shares for service proposal will vest over the next two years, with 324,388 to be issued in Q4 2010 and the remaining 324,357 to be issued in Q4 2011, at the deemed market price on those future dates.

Also subsequent to September 30, 2009, the Company's board of directors, on November 23, 2009, approved the cancellation of 1,347,268 stock options outstanding for all employees included in the shares for service proposal. In connection with the foregoing, the Company also received board approval to amend the option agreements of certain officers of the Company whom are not participating in the shares for service proposal. The effect of this amendment is to increase the exercise price on 325,000 stock options under agreement with these officers, from \$0.04 to \$0.10. In relation to these two transactions, a recovery of approximately \$7K will be recorded to stock based compensation expense in Q4 2009.

(ii) Share Accumulation Plan

Due to an increasing share price during the first nine months of the year, the fair market value of the total obligation to directors has increased by \$16,378 during the third quarter of 2009. Total compensation expense for the Share Accumulation Plan ("SAP") for the three and nine months ended September 30, 2009, including cash compensation is \$27,628 and \$118,147 (2008 - \$11,949 and \$40,900 decrease in compensation).

During the quarter, 100,987 shares were allocated to directors under the SAP. As at September 30, 2009, a total of 1,987,448 shares have been allocated to directors. At December 31, 2008, a total of 1,200,000 shares had been allocated for issuance from treasury. At the Annual General and Special Meeting held on May 25, 2009, the Company asked for and received approval from the shareholders to increase the number of shares allocated to the plan to 2,200,000.

Due to the declining share price in 2008, the calculation of shares to be allocated to the SAP resulted in a much higher amount of shares being allocated than was expected when the plan was developed. In Q4 2008 the SAP was modified by the Company in order to address this. 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 \$0.04 or the quarterly volume weighted average price, whichever is greater. For the quarter ended September 30, 2009, the quarterly volume weighted average price exceeded the set share price of \$0.04,

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and the allocation of shares into the SAP was calculated using the quarterly volume weighted average price of \$0.0557.

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 2009, 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, settled either in cash or common shares.

(c) Warrants

At September 30, 2009, there remain 1,265,000 warrants outstanding with an exercise price of \$0.276. These warrants expire in January 2011.

(d) Contributed surplus

	Amount
Balance, December 31, 2008	\$ 2,471,987
Employee and director stock options	17,741
Forfeited	(7,270)
Cancellation of shares under Normal Course Issuer Bid	505,647
Balance, June 30, 2009	\$ 2,988,105
Employee and director stock options	6,556
Forfeited	(167)
Cancellation of shares under Normal Course Issuer Bid	429
Balance, September 30, 2009	\$ 2,994,923

(e) Per share amounts

The weighted average number of common shares outstanding for the three and nine month periods ended September 30, 2009 was 59,004,949 and 59,598,202, respectively (2008 – 60,212,466 and 60,212,466). The exercise of options would not have had a dilutive effect for the three and nine month periods ended September 30, 2009 and 2008.

6. Restructuring

A significant part of the Company's expense management has been a restructuring of personnel to align with corporate objectives. For the three months ended September 30, 2009, the Company incurred no restructuring expenses (2008 - \$69,359). For the nine months ended September 30, 2009, the Company recorded \$206,210 of expenses related to severance packages for staff involved in restructuring, as compared to \$213,665 (2008 - \$213,665).

7. Financial Instruments

During Q2 2009, the Company entered into a multiple year sales contract under which a series of cash payments will be received over the term of the contract. This contract has been treated as a financial instrument, and has been included in accounts receivable. The value of this sales contract has been accounted for initial recognition at fair value, and subsequent recognition at amortized cost using the effective interest method.

Fair value refers to the value a financial instrument can be closed out or sold at, in a transaction with a willing and knowledgeable counterparty. Fair values are determined for measurement and/or disclosure purposes. The Company has estimated the fair value of this financial instrument using the discounted cash flow method. The process of determining fair value for financial instruments, using this valuation

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technique, can be subjective and requires an exercise of judgment in making assumptions about cash flow projections and discount rates.

Revenue relating to the accretion of accounts receivable included in interest income during the third quarter of the year, and the nine months ended September 30, 2009 is \$2,430 and \$13,680, respectively. Interest income due to accretion is determined using the effective interest rate method.

8. 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.

Revenues by geographic segment	Three Months Ending		Nine Months Ending	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Canada	\$ 445,423	\$ 294,183	\$ 2,658,769	\$ 1,302,900
United States	32,798	161,047	72,218	360,208
Total	<u>\$ 478,221</u>	<u>\$ 455,230</u>	<u>\$ 2,730,987</u>	<u>\$ 1,663,108</u>

9. Economic dependence

The Company received revenue from six customers for the three and nine months ended September 30, 2009 amounting to \$356,023 and \$2,477,092 (2008 - \$403,326 and \$1,269,061) representing 74% and 90% (2008 – 84% and 76%) of revenue.

10. Comparative figures

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