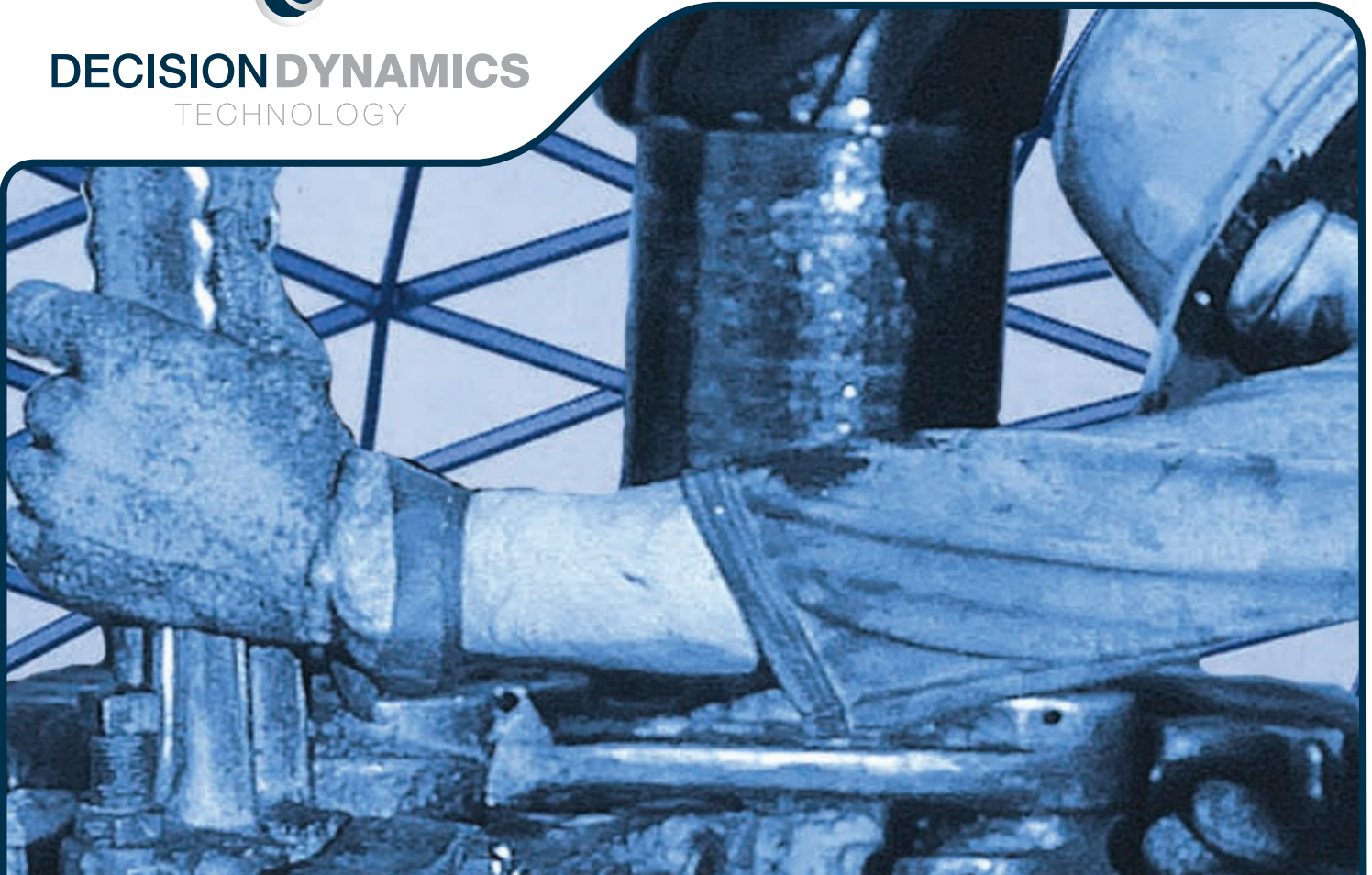
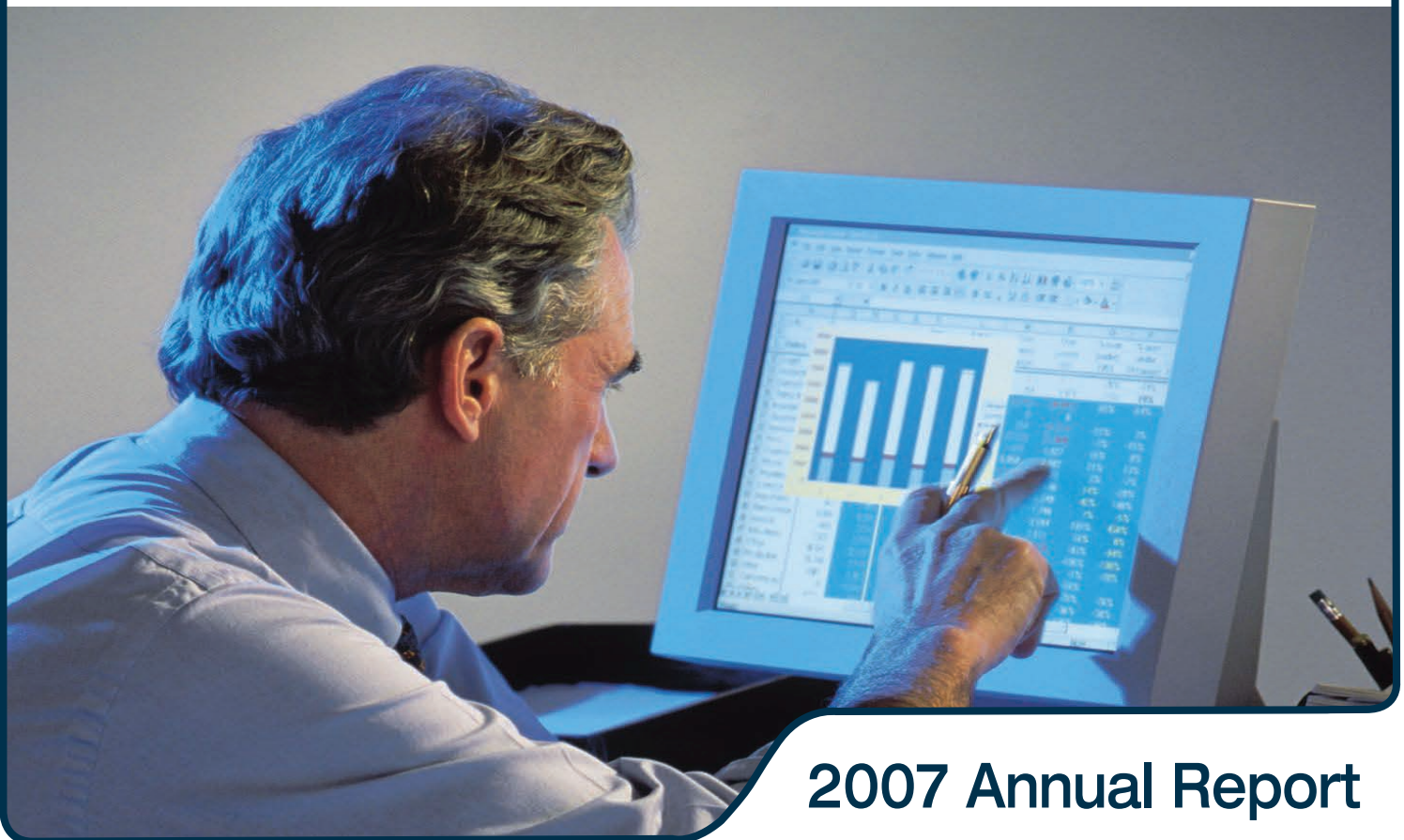




DECISION DYNAMICS
TECHNOLOGY



THE RIGHT DATA. THE RIGHT DECISION.



2007 Annual Report



DECISION DYNAMICS
TECHNOLOGY

Decision Dynamics Technology Ltd. is a leading provider of innovative knowledge capture, workflow management, reporting and analytics software solutions to the energy sector, including major oil and gas and electrical power companies.

Its flagship products include Oncore, a project cost management solution that provides real-time cost information, contract validation and approvals for operations management and capital projects; and Wellcore, a well lifecycle management solution that provides oil and gas companies with business visibility and operations agility. The Company has also developed X-Core, a fully integrated, end-to-end data modeling and application development system that can be leveraged across vertical markets. Decision Dynamics is a Microsoft Gold Certified Partner.

The Company’s head office is located in Calgary, Alberta, Canada. It operates wholly-owned foreign subsidiaries in the United States with offices in Houston, Texas. Decision Dynamics trades on the TSX Venture Exchange under the symbol “DDY”.

For more information visit www.ddytech.com

\$'000 (CAN) except per share amounts	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2007	Dec. 31, 2006	Dec. 31, 2007	Dec. 31, 2006
Operating Results				
Revenue	2,154	2,776	9,745	8,111
Gross profit ⁽¹⁾	1,364	2,067	6,556	5,069
Gross margin ⁽¹⁾	63%	74%	67%	62%
Loss	(588)	(991)	(1,584)	(5,330)
Loss per share	(0.01)	(0.02)	(0.03)	(0.10)
EBITDAS ⁽²⁾	(144)	(400)	(190)	(3,589)
Financial Position				
			As at	
			Dec. 31, 2007	Dec. 31, 2006
Working Capital			1,290	201
Total Assets			6,148	7,311
Shareholders' Equity			4,081	2,906

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Chairman's Message to Shareholders

In 2007, revenue was greater and expenses less than in 2006. Consequently, your Company experienced a significant reduction in loss at the net income level. Nevertheless, a loss was incurred and this is as disappointing to your board and management as it is to you, our shareholders.

Results in the first several months of 2008 have also been disappointing. The market has been and continues to be highly competitive. Furthermore, we experienced an unanticipated realignment of senior management responsibilities.

In response, management has taken several further necessary actions to bring expense levels into better alignment with anticipated revenues. In this effort and more broadly, your board and management are working very closely together.

Let me underscore a central message to our shareholders. Your board and management are determined to do everything possible to make your company profitable. We are also actively evaluating reasonable and promising alternative strategies and expect to be in a position to report a satisfactory resolution by mid-year.

Sincerely,

A handwritten signature in black ink that reads "Wm. A. Dimma". The signature is written in a cursive style with a horizontal line extending to the right.

Wm. A. Dimma
Board Chairman

Chief Executive Officer's Message to Shareholders

For the 2007 fiscal year, the company reported revenues totaling \$9.75 M representing a 20% increase over 2006. The increase in revenue was achieved with a 25% decrease in expenses as compared to our 2006 expenses. The revenue growth and expense reduction combined to allow us to finish 2007 with an EBITAS of (\$0.18 M) compared to a 2006 EBITAS of (\$3.59 M). Although 2007 represented substantial financial improvement over the previous year, we remain committed to achieving profitability for the organization. As such, we have continued the expense reduction program started during 2007. During the first half of 2008, we eliminated more than \$2.0 M of additional non-essential expenses as measured on a yearly run rate basis since year end. The full impact of these cost reductions will begin to be reflected in our financial statements during the last half of 2008 positioning the Company to deliver improved financial performance.

As we head into 2008, we continue to target key energy markets. The United States energy market remains strong and is investing in technology. In Canada, uncertainty around the level of resource royalties in Alberta and low natural gas prices resulted in a decline in spending for services and technology in Alberta during the last half of 2007 and into 2008. However, recent refinements to Alberta's resource royalties and an increase in natural gas prices are signaling an increase in spending going into the last half of 2008. Our primary product lines, Wellcore and Oncore, not only provide best-in-class data capture and reporting tools to companies in the energy market but are uniquely positioned to provide them with business performance visibility. Technology investments during 2007 have increased the capability and competitiveness of our products.

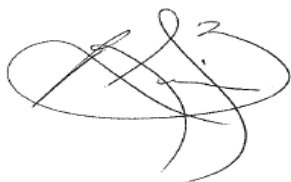
Wellcore is a well lifecycle management software platform that provides a framework for managing and optimizing E&P operations. Wellcore's modules span the well lifecycle and include applications for opportunity management, geology, construction, drilling, completions, AFE, regulatory, project planning, rig scheduling, pipelines and facilities. Oncore tracks labor, equipment, materials and other costs for capital and operations projects by line item, provides robust analytics for complex calculations such as comparative contractor performance, and makes all information available in a central repository. The application provides real-time visibility into project status, reduces invoice disputes, helps prevent overcharges, flags cost or progress problems to allow timely corrective action, eliminates lengthy reconciliation of contractor invoices and timesheets to contract terms, and helps reduce post-project audit costs.

With both of our product lines, we have focused on our core competencies of data capture and reporting and have deployed expert technical resources to leverage these strengths and expand the value of our products to include business visibility and operational analytics solutions. During 2007, we made significant progress on modernizing our technical infrastructure and added executive dashboards and GIS capabilities to the Wellcore product. We also improved the underlying capabilities of the Oncore product and established the infrastructure to allow us to deliver forms based reporting and dash boarding during 2008. These changes are intended to enhance the usability of the information captured by our products, dramatically increase the value proposition for their use, and provide operations visibility across the organization at an executive level.

We are engaged in active discussions with selected parties interested in acquiring part or all of our business. Of paramount importance during these discussions is a commitment to ensuring that our customer's investments in our products will remain secure and that we will be able to deliver an acceptable return to our investors.

In closing, I would like to extend a thank you to our employees and our board members for their hard work and dedication in 2007. I would also like to thank our customers, partners and shareholders for their ongoing support of DDY. All of us at DDY look forward to delivering growth and profitability in 2008.

Sincerely,

A handwritten signature in black ink, appearing to read 'R.J. Zinke', with a stylized flourish at the end.

R.J. (Justin) Zinke
Chief Executive Officer

April 4, 2008

Management Discussion and Analysis

The Management Discussion and Analysis focuses on key items from the audited Consolidated Financial Statements for Decision Dynamics Technology Ltd. ("Decision Dynamics" or the "Company") for the years ended December 31, 2007, 2006 and 2005, and the unaudited Consolidated Financial Statements for Decision Dynamics for the three months ended December 31, 2007, 2006 and 2005. These statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the company in the future.

Additional information regarding the Company is available on SEDAR at www.sedar.com.

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. 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 future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements. Forward-looking statements may be influenced by the following factors: the level of exploration and development carried on by our customers; crude oil, natural gas and other commodity prices; demand for electricity; weather; availability of capital and financing and government policies. 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.

Financial Highlights

Stated in thousands of Canadian dollars except per share amounts

\$'000 except per share amounts	Three months ending			Year Ending		
	Dec. 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Operating Results						
Revenue	2,154	2,776	1,837	9,745	8,111	4,129
Net Loss	(588)	(991)	(798)	(1,584)	(5,330)	(3,311)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.03)	(\$0.10)	(\$0.09)
EBITDAS ⁽¹⁾	(144)	(400)	(554)	(190)	(3,589)	(2,720)
Financial Position						
Working Capital				1,290	201	3,777
Total Assets				6,148	7,311	9,095
Shareholders' Equity				4,081	2,906	6,992

(1) "EBITDAS" means earnings from continuing operations before interest, taxes, depreciation, amortization, loss on sale of assets and stock compensation. Readers are cautioned that EBITDAS does not have a standardized meaning under GAAP and may not be comparable to other entities in the industry; however, the Company believes it is an important indicator of success for software businesses and is relevant to readers within the investment community. 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 software products and services to the energy sector including major oil & gas and electrical companies. These innovative operations management solutions capture, route, and report critical information at every level of the company making business processes faster and more reliable.

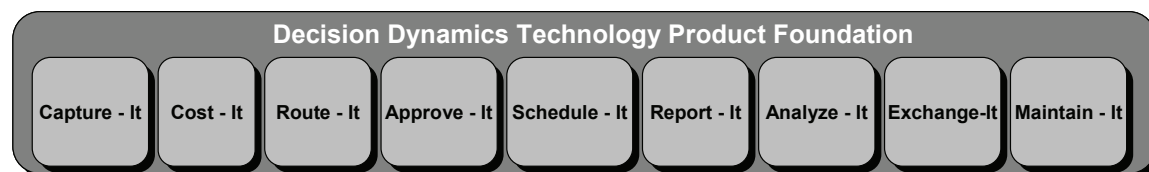
Decision Dynamics enables improved resource management & reduced costs by providing:

- **Visibility**
- Accurate and consistent views into operations
- **Better Decisions**
- Improved decision making and execution
- **Agility**
- Quicker response to problems and opportunities

The Company's primary products are:



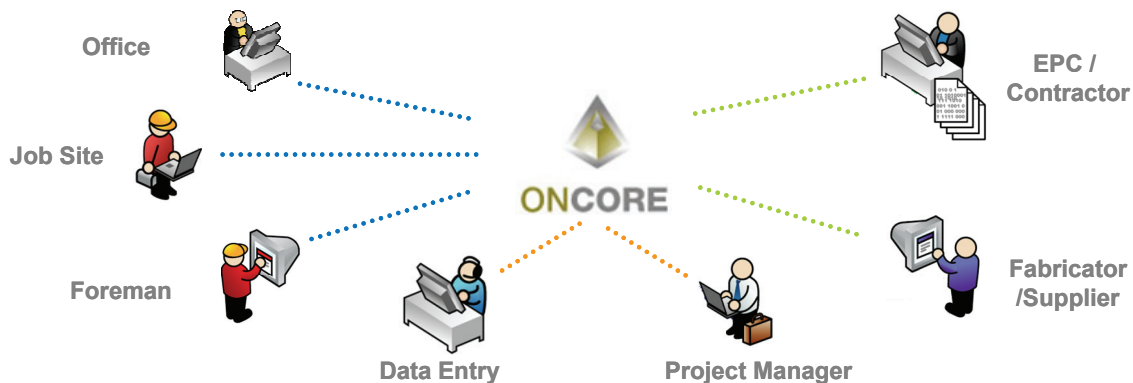
Near Real-time Cost Management for Operations & Capital Projects



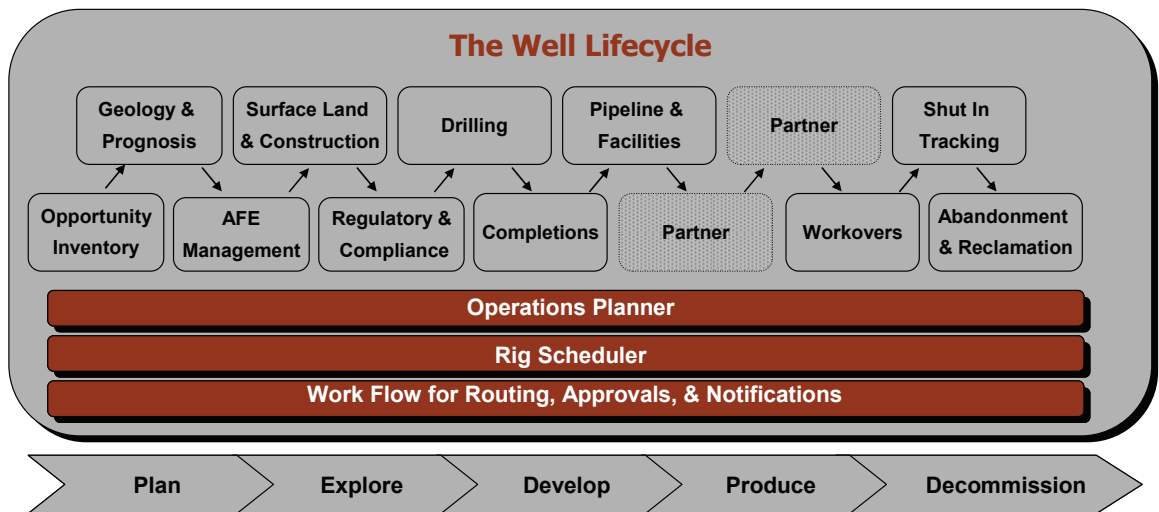
A project cost management solution that reduces cost overruns by providing real-time cost information, contract validation, and approvals

Oncore allows customers to deliver projects repeatedly on-time and on-budget

- Provides superior visibility, transparency and control for all job costs and progress
- Manage project productivity across multiple projects, Contractors, Work Packages, Process Areas, etc.
- Streamlines attest, invoice processing and simplifies Contract Management, reduces actual costs.
- Designed specifically for the complex dynamic and rate based O&G projects and activities



Well Information Management



Built in Work Flow

- See only the information you need to see
- Benefit from the information added by others
- Break down departmental barriers without changing the departments

Improved Response times through increased awareness of

- Abnormal situations
- Time sensitive items requiring action
- Real-time performance metrics
- Incorporates business state information
- Provides real-time visibility into business operations

Efficient Data Entry & Validation

- Incorporates business rules and data entry efficiency aids
- Built in work process minimizes data entry and decreases errors

Designed to be modified as the needs change

- Change the software to the business, not the business to the software
- Your business changes - so does our software

Last year the Company implemented a strategy to reduce monthly expenditures to bring them more in line with anticipated sales, and to focus product development on business operations solutions for the energy industry. At the same time, the Company increased the number of salespeople with energy services experience. Full year sales are up 20% compared to last year and expenses are down 25% and Decision Dynamics EBITDAS of (\$190,000) was a significant improvement over last year (\$3,589,000).

To enhance customer communication, the Wellcore and Oncore Foundation Steering Committees have been re-instituted and successful meetings held in October 2007. The Company's website has been completely updated and a newsletter was distributed to customers and interested parties.

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 with operations in Houston, Texas.

During the fourth quarter, the Company appointed Ron Green as President and Justin Zinke as Chief Executive Officer. Mr. Green and Mr. Zinke will both report to the Board of Directors. Mr. Green will be responsible for sales, and product delivery and Mr. Zinke will be responsible for product development, finance, corporate strategy, investor relations and strategic opportunities. Decision Dynamics will focus on revenue growth and profitability, further positioning the Company as an industry leader in automated workflow solutions.

Strategy and Outlook

The Company has been successful in its efforts to enhance profitability and attract additional financing. During 2007, it achieved a 20% increase in revenue and a 25% decrease in expenses. Further, the Company raised \$2.4 million (net of issue costs) through the private placement of common shares and warrants. These new funds were used to increase market penetration in the United States, accelerate new product development and augment working capital.

However, current projections indicate that to allow sufficient time for the Company to attain bottom-line profitability, further initiatives will first be required. Continuing efforts are being made to restrain expenses, including through staff lay-offs, but the Company is cognizant of the importance of maintaining a well-motivated staff with the requisite professional and sales skills. Continuing efforts are also being made to sell the Company's products to additional customers; the nature of these products is such that, once a customer begins to integrate them in its business, the customer is likely to stay with the Company for a long time, but this results in sometimes lengthy deliberations before the initial purchase decision is made.

To ensure availability of financing during the period required to attain bottom-line profitability, the Company is investigating an equity or a secured debt financing. While the Company is optimistic that these investigations will be successful, it is cognizant that if they are not, more significant restructuring, including the possible sale of the enterprise in whole or in part, may become necessary. The Company believes that these initiatives, considered together, will enable it to continue as a going concern.

The volatility of quarterly results is due, in part, to the significant impact of large individual sales on the Company's results. Sales and revenue timing are impacted by customer activity levels, the timing of major capital projects, and the length of the sales cycle. This volatility is expected to continue until the Company achieves a sufficient level of quarterly sales to minimize the impact of any one sale.

Changes in, new Applications and Significant 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. These financial statements do not give effect to any adjustment should the Company be unable to continue as a going concern and therefore be

Decision Dynamics Technology Ltd.

Management Discussion and Analysis

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 has, or may, undertake a number of initiatives which are outlined above.

(b) Revenue recognition

The Company's accounting policy with respect to revenue recognition has not changed. Revenues include revenues from perpetual and multi-year license sales, subscriptions, sales of professional services and post contract support revenues including maintenance and problem support.

(c) Future income taxes

The Company uses the asset and liability method of accounting for income taxes. A valuation allowance has been recorded against any future income tax asset as it is more likely than not that the asset will not be realized.

(d) Intellectual Property

Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Costs incurred in the maintenance of the service potential of an intangible asset are expensed as incurred. Intangible assets with finite lives are amortized over their useful lives.

The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Technology rights	Straight line over 41 months
Trade name	Straight line over 41 months
Maintenance contracts	Straight line over 36 months

(e) Changes in accounting policies

Financial Instruments

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3865, Hedges.

The impact on the Company is minor and is detailed in note 3 of the Company's audited consolidated financial statements for the year ended December 31, 2007.

Going concern

Effective June 30, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1400.08A - 08C, General Standards of Financial Statement Presentation – Going Concern which requires management to make an assessment of the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that could adversely affect future operations. Management's assessment is outlined in the above "Strategy and Outlook" and "Accounting Policies" sections.

Results of Operations

\$ '000 except per share amounts	Three Months Ending			Year Ending		Dec 31, 2005
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2007	Dec 31, 2006	
Revenue	2,154	2,776	1,837	9,745	8,111	4,128
Expenses	2,425	3,419	2,425	10,312	12,584	6,882
	(271)	(643)	(588)	(567)	(4,473)	(2,754)
Other (amortization, interest, other)	(317)	(348)	(210)	(1,016)	(1,280)	(557)
Income tax recovery	-	-	-	-	423	-
Net loss for the period	(588)	(991)	(798)	(1,583)	(5,330)	(3,311)
Other and income taxes	317	348	210	1,016	857	557
Non-cash share compensation	127	243	32	377	884	34
EBITDAS	(144)	(400)	(556)	(190)	(3,589)	(2,720)
Basic and diluted loss per share	\$0.01	\$0.02	\$0.02	\$0.03	\$0.10	\$0.09
Weighted average number of common shares outstanding	60,202	51,625	51,378	56,081	51,590	36,774

Both license and service revenues have increased over the three year period as a result of the acquisition of Malibu Engineering & Software Ltd. in 2005 and growth of Oncore sales and recurring revenues in 2006 and 2007. The acquisition combined with a strong growth in staff resulted in a significant increase in expenses for 2005 to 2006. These were reduced in 2007 as the Company reduced staff to bring expenses more into line with revenues. The net loss for 2007 was the lowest in three years as a result of the sales growth combined with cost reductions.

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

Revenue

\$ '000 except per share amounts	Three Months Ending			Year Ending		Dec 31, 2005
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2007	Dec 31, 2006	
License	1,340	1,980	986	5,609	4,841	2,066
Services	814	796	851	4,136	3,270	2,062
Total	2,154	2,776	1,837	9,745	8,111	4,128

The \$1.6 million (20%) increase in 2007 revenues compared to 2006 was largely due to increases in recurring revenues from previous license sales plus increased service revenues related to installations and other customer projects. The increase in revenue in 2006 compared to 2005 (134%) was due to the inclusion of an additional seven months of Wellcore sales following the acquisition of Malibu Engineering & Software Ltd. plus several large sales of Oncore during the year. In addition, service revenues increased due to the increase in service personnel plus more chargeable projects.

In Q4 06 the Company closed the sale of Oncore to a very large customer. Q4 07 sales were to mid-sized customers resulting in a decrease in the quarter over quarter comparison. The increase in Q4 06 compared to Q4 2005 is primarily due to the 100% increase in license revenues resulting from sales of the new Oncore stand-alone suite. The decline in quarterly service revenues over the three years is partially due to changes in the number of available personnel as well as the amount of implementation work attributable to Q3 and Q4 sales and customer projects. The allocation of service staff to sales and development projects will reduce service revenues without being directly related to license sales in the same quarter.

About \$3.9 million of the 2007 revenues were recurring revenues from multi-year contracts and maintenance payments, up from the \$3.3 million in 2006.

License revenues include sales of perpetual and multi-year licenses, annual maintenance charges and ASP subscription revenues. Service revenues include sales of professional services, software support, training and implementation services and hosting. Revenue for both products may be dependent upon customer activity levels

Decision Dynamics Technology Ltd.

Management Discussion and Analysis

(drilling activity for Wellcore and project activity levels (expenditures) for Oncore) plus the timing of the product implementation. Revenue from sales of perpetual licenses, particularly for Wellcore, 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 (six customers provided 64% of revenues for 2007 compared to 74% for the same number of customers last year). The specific customers do change somewhat from quarter to quarter. The dependence upon a small number of customers is declining as the Company expands its customer base and volume of sales for both products.

During the year ending December 31, 2007, 2006 and 2005, Decision Dynamics derived about 37%, 33% and 29% respectively of its revenue from USA based customers. With the Company's continuing thrust into the USA, the percentage of sales attributable to US based customers is expected to continue to increase in the future.

Gross profit

\$ '000	Three Months Ending			Year Ending		
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Revenue	2,154	2,776	1,837	9,745	8,111	4,128
Cost of sales	(790)	(709)	(959)	(3,189)	(3,041)	(2,043)
Gross profit	1,364	2,067	878	6,556	5,070	2,085
Gross margin	63%	74%	48%	67%	63%	51%

Cost of sales includes the cost of the service department (both productive and non-productive time), warranty work, support personnel, hosting costs and sales commissions. At this 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. From time-to-time service personnel may work on sales projects or development 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. For these reasons costs may vary substantially from quarter to quarter.

The Cost of Sales increased about 49% from 2005 to 2006 and about 5% from 2006 to 2007. The increase in 2006 was primarily due to the increase in service personnel as a result of the acquisition of Malibu and from new hiring. The growth in costs from 2006 to 2007 despite the reduction in staff was due in part to the high allocation of staff to sales projects in 2006 resulting in a decrease in cost of sales combined with higher commissions and more warranty work in 2007. In Q4 06 about 20% of the staff time was allocated to other departments while the reallocations in Q4 2007 and 2005 were quite minor. Note that the cost of sales for Q4 05 appears high relative to the full year as the full year only included five months of operations acquired from Malibu.

Gross margin is dependent upon the mix of license and services sales, customer service requirements and service utilization rates. The relative mix of license revenues and service revenues was relatively constant for 2007 and 2006 at 59%:41% for licenses and services, up from a 50:50 split for 2005. The Company implemented efficiency improvements in delivering services this year; however these were partially offset by higher warranty costs. Gross margin for the year improved to 67% compared to the prior year 63%. The growth in gross margin from 2005 to 2006 was largely due to the higher proportion of services as a percentage of total revenues compared to 2005.

The quarter over quarter comparisons are affected by the license/service mix, customer implementation requirements and service personnel utilization rates. The improvement from Q4 05 to Q4 06 of 26 percentage points to 74% was largely due to an increase in the proportion of license sales; however the rate declined in Q4 07 to 63% while the license percentage increased. This was due to a relative lack of projects in Q4 07 resulting in a lower utilization rate.

Decision Dynamics Technology Ltd.
Management Discussion and Analysis

Expenses

\$ '000	Three Months Ending			Year Ending		
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Research and development	527	598	260	2,290	2,439	660
Selling and marketing	547	743	207	2,417	3,366	908
Restructuring costs	86	401	179	86	401	545
General and administration	393	709	787	1,912	2,385	2,693
Share Accumulation Plan	(48)	14	0	42	66	-
Other stock based compensation	131	245	33	377	885	33
	<u>1,636</u>	<u>2,710</u>	<u>1,466</u>	<u>7,124</u>	<u>9,542</u>	<u>4,839</u>

The 25% decrease in expenses from 2006 to 2007 was primarily due to the staff reductions effected during the year. The almost doubling of 2006 expenses compared to 2005 was due to the inclusion of an additional seven months of Malibu expenses plus the growth in sales and marketing, services and development personnel to support the anticipated growth in sales and the non-cash expense associated with the valuation of the Malibu replacement options.

The acquisition of Malibu and corporate growth is reflected in the sizeable growth of Q4 06 expenses compared to Q4 05. In the fourth quarter of 2006 the company also embarked on a program to reduce monthly operating expenses to bring them more in line with revenue growth and refocused product development on business operations solutions for the energy industry. This program was effective in bring costs down significantly for Q4 07 compared to Q4 06.

The 270% increase in Research and Development for 2006 compared to 2005 is due to the growth in personnel in the product development area plus the inclusion of Malibu personnel for the full year. Expenditures decreased slightly from 2006 to 2007 due to a small reduction in headcount and lower personnel allocations compared to the previous year. The same pattern is reflected in the quarterly expenditure levels. 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. As a result, R&D expenses may vary from quarter to quarter due to allocations of staff during the quarter to or from service projects.

One of the Company's major objectives for the second half of 2005 and the beginning of 2006, was to build a North American sales team in Houston, Denver and Calgary. Sales and support personnel increased from 4 in mid-2005 to over 12 in 2006. Marketing staff and the marketing program was increased as well. As a result 2006 sales and marketing expenses were more than three times the 2005 level of expenditures. This increase also reflects the sales support work done by service personnel for pilots, demonstrations, and other support services. The decrease in full year expenses from 2006 to 2007 reflects a temporary reduction in sales personnel as the Company changes its sales focus from sales personnel with information technology backgrounds to individuals with operations backgrounds. The decrease is also due to reduction allocation of operations and development personnel to sales. These personnel were heavily involved in pilot projects for two large US companies during the first half of 2006. The quarterly results follow a similar pattern to the annual results.

Restructuring includes the cost of personnel severance and any fees associated with reductions in facilities. This was lower this year as most of the staff reductions occurred in the prior years.

The continuing decline in General and Administrative costs excluding stock based compensation, reflects a deliberate effort by the company to reduce G&A costs. Costs declined 11% from 2005 to 2006 and a further 19% from 2006 to 2007. The reductions were due to a number of factors including personnel reductions, reductions in facilities, legal and audit costs, communications and miscellaneous small items. Quarterly expenses reflect this same pattern with the sizeable reduction from Q4 06 to Q4 07 due to office space reductions in Calgary and Houston. The largest components of general and administrative expenses are salaries and occupancy costs which are relatively fixed and will not increase with a growth in sales. Cash G&A as a percentage of sales has declined from 65% in 2005 to 30% in 2006 and further to 20% in 2007.

Decision Dynamics Technology Ltd.
Management Discussion and Analysis

Amortization and Other Expenses

\$ '000	Three Months Ending			Year Ending		
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
Amortization of property and equipment	59	65	45	219	249	122
Amortization of intangible assets	125	125	30	500	500	209
Foreign exchange (gain) loss	30	53	130	(83)	108	78
Loss on disposal of equipment and leasehold improvements	32	-	-	32	-	-
Interest income	(18)	(10)	-	(45)	(78)	(1)
Interest expense	89	115	5	393	501	149
	<u>317</u>	<u>348</u>	<u>210</u>	<u>1,016</u>	<u>1,280</u>	<u>557</u>

Amortization of property and equipment has increased 113% from 2005 to 2006 due to the inclusion of a full year of amortization of the Malibu assets plus the significant asset additions which were made in the U.S., purchase of additional computers and related equipment for new employees in Canada and to upgrade the capability of Company hosting systems. With most of the upgrades completed in 2006, the Company was able to minimize purchases of new equipment in 2007 and as much of the amortization is on a declining balance basis, total amortization decreased. The amortization of the \$1.7 million of intangible assets acquired from Malibu in 2005 is amortized on a straight line basis at \$125,000 per quarter or \$500,000 per year. For 2005, the \$209,000 represents just over five months of amortization. In 2005 the Company engaged a third party to assist in the evaluation of assets and assignment of the excess purchase price. This resulted in a reduction in the amount of full year amortization which was adjusted in the fourth quarter.

The significant differences in foreign exchange from quarter to quarter and over the last three years result from the extensive fluctuations in the Canadian and United States dollar exchange rates. Foreign exchange differences arise from differences in the rate when the Company records sales to US customers and the rate when the accounts receivable are paid plus differences arising from the conversion of assets owned by the Company's US subsidiaries from US dollars to Canadian dollars. About 37% of the Company's revenues for the year (2006 – 33%; 2005 – 29%) were from US based customers. With the Company's focus on increasing sales in the United States, the percentage of US dollar denominated business is expected to increase. Foreign exchange fluctuations therefore will continue and may increase substantially over those shown for the prior quarters.

The Company invests surplus funds not immediately required for operations and these generate small amounts of interest income. Interest expense is primarily due to long term debt.

Income taxes

The Company has about \$21.0 million dollars of tax pools available in Canada and the United States to offset income in the respective jurisdictions.

Net loss

\$ '000 except per share amounts	Three Months Ending			Year Ending		
	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005	Dec 31, 2007	Dec 31, 2006	Dec 31, 2005
EBITDAS	(144)	(400)	(554)	(190)	(3,589)	(2,720)
Net loss	<u>(588)</u>	<u>(991)</u>	<u>(798)</u>	<u>(1,584)</u>	<u>(5,330)</u>	<u>(3,311)</u>
Basic and diluted loss per share	<u>(\$0.01)</u>	<u>(\$0.02)</u>	<u>(\$0.03)</u>	<u>(\$0.03)</u>	<u>(\$0.10)</u>	<u>(\$0.09)</u>

The Company came close to achieving a break-even cash flow as measured by EBITDAS in 2007 and net loss for Q4 and for the full year 2007 was the lowest in three years as a result of the sales growth combined with cost reductions. The 2006 EBITDAS loss and net loss for the quarter and for the year were up over the previous comparable periods largely as a result of the growth of sales and development staff resulting in higher expenses and higher stock based compensation costs.

Quarterly results

The acquisition of Malibu has changed the Company's operations substantially and historical results may not be indicative of future results. Following are the results for the three month periods ending (in thousands of Canadian dollars except per share amounts):

	Dec. 31, 07	Sept 30, 07	June 30, 07	Mar. 31, 07	Dec. 31, 06	Sept 30, 06	June 30, 06	Mar. 31, 06	Dec. 31, 05
Revenue	2,154	1,811	2,600	3,179	2,776	1,865	1,737	1,733	1,837
Net Income (loss)	(588)	(795)	(461)	260	(991)	(1,425)	(1,574)	(1,340)	(798)
Income (loss) per share	(\$0.01)	(\$0.01)	(\$0.01)	\$0.01	(\$0.02)	\$0.03	(\$0.03)	(\$0.03)	(\$0.02)
EBITDAS	(144)	(466)	(143)	576	(400)	(910)	(1,262)	(1,018)	(554)

Liquidity and capital resources

Working Capital

The table below shows the major items affecting working capital during the year

	\$ '000
Working capital December 31, 2006 (restated)	201
Repayment of long-term debt (including interest)	(941)
Issue of shares (net of fees)	2,383
Used in operations and other	(353)
Working capital December 31, 2007	<u>1,290</u>

Five customers provided 56% of the total accounts receivable at December 31, 2007 compared to 68% and 78% attributable to five customers at December 31, 2006 and 2005 respectively.

Capital requirements

The Company has been successful in its efforts to enhance profitability and attract additional financing. During 2007, it achieved a 20% increase in revenue and a 25% decrease in expenses. Further, the Company raised \$2.4 million (net of issue costs) through the private placement of common shares and warrants. These new funds were used to increase market penetration in the United States, accelerate new product development and augment working capital.

However, current projections indicate that to allow sufficient time for the Company to attain bottom-line profitability, further initiatives will first be required. Continuing efforts are being made to restrain expenses, but the Company is cognizant of the importance of maintaining a well-motivated staff with the requisite professional and sales skills. Continuing efforts are also being made to sell the Company's products to additional customers; the nature of these products is such that, once a customer begins to integrate them in its business, the customer is likely to stay with the Company for a long time, but this results in sometimes lengthy deliberations before the initial purchase decision is made.

To ensure availability of financing during the period required to attain bottom-line profitability, the Company is investigating an equity or a secured debt financing. While the Company is optimistic that these investigations will be successful, it is cognizant that if they are not, more significant restructuring, including the possible sale of the enterprise in whole or in part, may become necessary. The Company believes that these initiatives, considered together, will enable it to continue as a going concern with adequate financing.

Share Capital

As at April 3, 2008 Decision Dynamics had 60,212,466 shares outstanding with a book value of \$27,606,710.

Related Party Transactions

On August 16, 2006, the Board granted options to a non-management director to purchase 100,000 common shares exercisable at \$0.55. There were no related party transactions in 2007.

Financial Risks

The sale of software and services is subject to business risks and quarterly fluctuation due to factors such as customer demand for products, the size and timing of customer orders and the timing of revenue recognition for those orders, progress on implementation projects, the number, timing and significance of new product announcements by Decision Dynamics and its competitors, our ability to develop, introduce and market new and enhanced versions of our products on a timely basis, the level of product and price competition, changes in operating expenses and general economic factors such as foreign exchange rates, commodity prices, and so on. A significant portion of our expenses are based on our expectations of future revenue and, therefore, are relatively fixed in the short-term (for example hiring additional employees and leasing space). Accordingly, if revenue levels are below our expectations, our operating results are likely to be adversely affected. Also, under the Company's revenue recognition policy service work and license sales might not be recognized in the same period in which the work is performed as the Company might not have customer acceptance or may not be able to precisely determine revenues as required by Decision Dynamics' revenue recognition policy and by Canadian generally accepted accounting principles. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. The sale of software and services is also subject to a number of business risks including: the Company's ability to manage significant growth in customers and staff, ability to attract and retain highly skilled technical, managerial and sales personnel and ability to protect its intellectual property.

Decision Dynamics Technology Ltd.

Report for the year ending December 31, 2007

MANAGEMENT'S REPORT

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

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

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

April 4, 2008

"signed" R.J. (Justin) Zinke

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

"signed" David N. Hunt

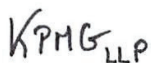
David N. Hunt
Chief Financial Officer
Calgary, Alberta

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Decision Dynamics Technology Ltd. as at December 31, 2007 and 2006 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The logo for KPMG LLP, featuring the letters 'KPMG' in a stylized font with 'LLP' underneath.

Chartered Accountants

Calgary, Canada
April 4, 2008

Decision Dynamics Technology Ltd.

Consolidated Balance Sheets

	December 31, 2007	December 31, 2006
ASSETS		
Current		
Cash and cash equivalents	\$1,106,618	\$1,043,990
Accounts receivable (note 12)	2,076,932	2,483,969
Prepaid expenses	173,889	259,875
	<u>3,357,439</u>	<u>3,787,834</u>
Property and equipment (note 4)	553,400	785,395
Intangible assets (note 5)	459,374	959,858
Goodwill	1,778,177	1,778,177
	<u>\$6,148,390</u>	<u>\$7,311,264</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$677,528	\$1,317,217
Deferred revenue	867,790	1,701,133
Current portion of long-term debt (note 6)	522,189	568,222
	<u>2,067,507</u>	<u>3,586,572</u>
Deferred revenue	-	157,499
Long-term debt (note 6)	-	661,269
	<u>2,067,507</u>	<u>4,405,340</u>
Shareholders' equity		
Capital stock (note 7)	27,606,710	25,529,130
Warrants (note 7)	653,194	931,691
Contributed surplus (note 7)	1,944,350	984,815
Deficit	(26,123,371)	(24,539,712)
	<u>4,080,883</u>	<u>2,905,924</u>
	<u>\$6,148,390</u>	<u>\$7,311,264</u>

Nature of Operations (note 1) and Commitments (note 11)

Approved on behalf of the board

"signed" William Dimma

William Dimma, Director

"signed" James Baillie

James Baillie, Director

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Consolidated Statements of Loss and Deficits

	Year Ending	
	December 31, 2007	December 31, 2006
Revenue	\$9,744,884	\$8,110,734
Cost of sales	3,188,615	3,041,320
	<hr/>	<hr/>
Gross Profit	6,556,269	5,069,414
	<hr/>	<hr/>
Expenses		
Research and development	2,289,879	2,438,850
Selling and marketing	2,416,564	3,365,962
Restructuring costs	85,886	400,965
General and administration	2,331,537	3,336,603
	<hr/>	<hr/>
	(567,597)	(4,472,966)
Amortization of property and equipment	219,090	249,283
Amortization of intangible assets	500,484	500,484
Foreign exchange (gain) loss	(83,482)	107,096
Loss on disposal of equipment and leasehold improvements	31,577	-
Interest income	(45,058)	(78,242)
Interest expense	393,451	501,223
	<hr/>	<hr/>
Net loss before income taxes	(1,583,659)	(5,752,810)
Future income tax recovery (note 8)	-	423,098
	<hr/>	<hr/>
Loss and comprehensive loss for the year	(1,583,659)	(5,329,712)
Deficit, beginning of year	<hr/> (24,539,712)	<hr/> (19,210,000)
Deficit, end of year	<hr/> (\$26,123,371)	<hr/> (\$24,539,712)
Basic and diluted loss per share	(\$0.03)	(\$0.10)
Weighted average number of common shares outstanding	56,080,733	51,589,681

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Consolidated Statements of Cash Flows

	Year Ending	
	December 31, 2007	December 31, 2006
Cash provided by (used in):		
Operations		
Cash received from customers	\$9,030,751	\$8,395,306
Cash paid to suppliers and employees	(10,466,104)	(11,249,780)
Interest received	45,058	78,242
Interest paid	(196,127)	(318,614)
	<u>(1,586,422)</u>	<u>(3,094,846)</u>
Investing activity		
Purchase of equipment	<u>(18,672)</u>	<u>(499,117)</u>
Financing activities		
Issue of long-term debt	-	2,281,000
Repayment of long-term debt	(707,302)	(651,483)
Issue of shares and warrants net of financing costs	2,382,748	59,682
Deferred financing costs	-	(87,701)
Payment of capital lease	-	(12,550)
	<u>1,675,446</u>	<u>1,588,948</u>
Changes in foreign currency	<u>(7,724)</u>	<u>(75,276)</u>
Increase (decrease) in cash and cash equivalents	62,628	(2,080,291)
Cash and equivalents, beginning of year	<u>\$1,043,990</u>	<u>3,124,281</u>
Cash and equivalents, end of year	<u>\$1,106,618</u>	<u>\$1,043,990</u>

See accompanying notes to the consolidated financial statements

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements
Year ended December 31, 2007 and 2006

1. Nature of operations

Decision Dynamics Technology Ltd., a public company incorporated under the Canada Business Corporations Act, has developed information management software for business operations. The Company has two product suites, Wellcore, well lifecycle management software for the oil and gas industry and Oncore, project costs management software for owners and contractors in the energy and electrical power industries.

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

2. Future operations

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

During 2007, the Company achieved a 20% increase in revenue and a 25% decrease in expenses. Further, the Company raised \$2.4 million (net of issue costs) through the private placement of common shares and warrants. These new funds were used to increase market penetration in the United States, accelerate new product development and augment working capital.

However, current projections indicate that to allow sufficient time for the Company to attain bottom-line profitability, further initiatives will first be required. Continuing efforts are being made to restrain expenses and the Company is seeking additional sources of financing. Continuing efforts are also being made to sell the Company's products to additional customers; however, as this is a major purchase for most companies, there may be a long sales cycle.

The Company currently is investigating an equity or a secured debt financing. If the Company is unsuccessful in securing additional financing, more significant restructuring, including the possible sale of the enterprise in whole or in part, may become necessary

3. Significant accounting policies

(a) Consolidation

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

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting periods presented. Actual results will differ from those estimates. The significant items requiring management estimate include deferred revenue, valuation of future income taxes, intangible assets, capital assets and goodwill as well as the estimated useful lives of intangible assets and capital assets.

(c) Revenue recognition

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

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

Service revenue is recognized using the percentage of completion method, whereby recognition of revenue earned is recorded based on the costs incurred to date and estimated costs remaining to fulfill projects. Amounts received in advance are recorded as deferred revenue. Work in progress for time and materials projects is comprised of unbilled fees and is recorded at the market value of time incurred (customer billing rates). For fixed price projects, work in progress, is recorded as the

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and 2006

percentage of the project that has been completed to that point in time. Unbilled disbursements are recorded at cost. Any estimated losses on contracts are recognized during the period in which the loss first becomes apparent.

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

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

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

For multiple element arrangements, where VSOE of fair value is available for all elements, the contract value is allocated to each element proportionately based on relative VSOE and revenue is recognized separately for each element and the basis of recognition of revenue for each element is determined separately. Where VSOE is not available for one element, the residual method is used to value that element. Where the residual method cannot be used, contract accounting is used to account for the entire contract value. Contract accounting is also used where elements such as licensing and services cannot be separated.

Contract accounting is utilized for fixed-price contracts and those where the contract requires the delivery of set up services and use of the software. In such instances, revenue is recognized for both software licenses and consulting services, generally using the percentage-of-completion method measured on labour hours. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the percentage-of-completion method of accounting affect the amounts of revenue and related expenses reported in the consolidated financial statements. A number of internal and external factors can affect our estimates, including labour rates, utilization of the software, and the potential requirement of additional services.

(d) Foreign currency translation

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

(e) Cash equivalents

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

(f) Research and development costs

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

(g) Property and equipment

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

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

(h) Intangible assets

Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

Year ended December 31, 2007 and 2006

the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Costs incurred in the maintenance of the service potential of an intangible asset are expensed as incurred. Intangible assets with finite lives are amortized over their estimated useful lives.

The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Technology rights	Straight line over 41 months
Trade name	Straight line over 41 months
Maintenance contracts	Straight line over 36 months

(i) Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is not amortized, but is tested for impairment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess. As a result of the current year's assessment, no impairment loss has been recognized on the goodwill recorded.

(j) Future income taxes

Future income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will be not realized.

(k) Stock based compensation

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

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

(l) Per share amounts

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

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

(m) Impairment of long lived assets

Management reviews property and equipment and intangible assets to determine if circumstances indicate impairment in the carrying value or changes in the estimated useful life of the asset. If impairment has occurred, an impairment charge to earnings is recognized for the amount the carrying value of the asset exceeds its estimated fair value.

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements
Year ended December 31, 2007 and 2006

(n) Financial Instruments

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3865, Hedges.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. The Company had no "other comprehensive income or loss" transactions during 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. Deferred financing costs relating to the issuance of the long-term debt is included in the carrying value of the long-term debt and is being amortized using the effective interest rate method... The Company had neither available-for-sale, nor held to maturity instruments during the year ended December 31, 2007.

All derivative instruments, including embedded derivatives, are recorded in the statement of operations and deficit at fair value unless exempted from derivative treatment as a normal purchase and sale. All changes in their fair value are recorded in earnings unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income. At the initial adoption of the new accounting standards it was determined that the Company had no derivative instruments.

Section 3861 establishes standards for disclosure and presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative financial statements are not restated.

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item. The Company does not have any hedges as at December 31, 2007.

(o) Going Concern

Effective June 30, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1400.08A - 08C, General Standards of Financial Statement Presentation – Going Concern which requires management to make an assessment of the Company's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that could adversely affect future operations. Management's assessment is outlined in note 2.

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements
Year ended December 31, 2007 and 2006

4. Property and equipment

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

December 31, 2006	Cost	Accumulated amortization	Net book value
Equipment and furniture	\$269,021	\$89,598	\$179,423
Computer hardware	918,345	461,461	456,884
Computer software	215,103	116,878	98,225
Leasehold improvements	54,809	14,989	39,820
Computer hardware under capital lease	18,030	6,986	11,043
	<u>\$1,475,308</u>	<u>\$689,913</u>	<u>\$785,395</u>

During the year the Company reduced office space in Calgary and Houston. The disposition of the surplus furniture and equipment and leasehold improvements resulted in a loss of \$31,577.

5. Intangible assets

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

December 31, 2006	Cost	Accumulated amortization	Net book value
Technology	\$1,289,877	\$534,827	\$755,050
Trade name	83,000	34,415	48,585
Maintenance contracts	296,000	139,778	156,222
	<u>\$1,668,877</u>	<u>\$709,020</u>	<u>\$959,858</u>

6. Long-term debt and promissory notes

Balance as at December 31, 2006	\$1,661,337
Deferred financing costs (note 3 (n))	(431,846)
Restated balance	<u>1,229,491</u>
Debt payment (principal and interest)	(881,682)
Interest expense	174,380
Deferred financing costs	197,323
Foreign exchange translation effect	(197,323)
Balance as at December 31, 2007	<u>\$522,189</u>

During the year ended December 31, 2006, the Company entered into an agreement to borrow US\$4.0 million and drew US\$2.0 million. The Company believes that it does not currently meet the criteria required by the lender to enable it to draw down the remaining funds. The drawdown is repayable in monthly installments of US\$68,647 including interest over three

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Notes to Consolidated Financial Statements

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years and will be repaid in full by the end of 2008. The interest rate is 14.3% per annum and the Company granted the lender five year warrants to purchase 1,265,000 common shares at \$0.55 per share. The exercise price was subject to a re-pricing if the Company subsequently issued shares at a lower price. As a result of the private placement during the year the exercise price of the warrants was reduced to \$0.305 per share. The loan has been secured by a general security agreement on all property including all intellectual property and a certificate of insurance.

The fair value of the 1,265,000 warrants issued was \$349,665. The fair value of the warrants was determined using the Black-Scholes pricing model using the following assumptions: a five year life, volatility factor of 125%, risk free interest rate of 3.80% and no expected dividend yield. These warrants resulted in a future tax liability of \$177,098 and the Company incurred \$87,701 of out-of-pocket financing costs resulting in total deferred financing costs of \$614,454 which will be recorded as additional interest expense over the term of the debt using the effective interest method. During the year \$197,321 (2006-\$182,609) of deferred financing costs were amortized.

7. Share capital

(a) Common shares

Authorized

Unlimited number of voting common shares

During 2007, the Company sold 8,504,999 units pursuant to a private placement for \$0.30 per unit for gross proceeds of \$2,551,500. Each unit consisted of one common share plus one-half warrant.

Issued and outstanding common shares:

	Number	Amount
Balance December 31, 2005	51,381,598	\$25,469,448
Shares issued on exercise of stock options	243,642	59,682
Balance December 31, 2006	51,625,240	\$25,529,130
Shares issued pursuant to a private placement	8,504,999	2,068,174
Shares issued to agent	25,000	-
Shares issued on exercise of stock options	57,227	9,406
Balance December 31, 2007	60,212,466	\$27,606,710

(b) Stock based compensation

(i) Stock Option Plan:

The Company has established a stock option plan for directors, officers, and employees. Under the plan, the aggregate number of options available for issue may not exceed 9,519,094 as at December 31, 2007. The options are non-assignable and all options granted in 2007 and 2006 expire seven years after grant.

Balance, December 31, 2005	9,125,782
Granted to officers and directors	850,000
Granted to current employees	383,000
Expired	(686,727)
Exercised	(243,642)
Forfeited	(441,379)
Balance, December 31, 2006	8,987,034
Granted to officers and directors	400,000
Granted to current DDyTech Ltd. employees	1,150,000
Expired	(1,667,019)
Exercised	(57,225)
Forfeited	(1,673,751)
Balance, December 31, 2007	7,139,039

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Stock options outstanding as at December 31, 2007 under this plan are as follows:

Range of exercise prices outstanding	Options outstanding			Options Exercisable	
	Number outstanding at December 31, 2007	Weighted average remaining contractual life (months)	Weighted average exercise price	Number exercisable at December 31, 2007	Weighted average exercise price
\$0.16	3,886,149	45	\$0.16	2,993,166	\$0.16
0.185 - 0.208	1,290,605	75	\$0.20	302,067	\$0.21
0.227	850,000	75	\$0.23	-	-
0.26 - 0.55	885,972	55	\$0.48	580,633	\$0.51
0.745	226,313	30	\$0.74	223,272	\$0.74
\$0.16 - 0.745	7,139,039	55	\$0.23	4,099,138	\$0.25

During the years ended December 31, 2007 and 2006 \$377,262 (2006 - \$884,636) in compensation costs were recorded in the statement of earnings for the options granted to employees, officers and directors. The fair value of common share options granted in 2007 is estimated in the amount of \$327,600 (2006 - \$228,154) at the grant date using the Black-Scholes pricing model based on the following assumptions:

Risk free interest rate	3.92 to 4.14%
Expected life	7 years
Expected volatility	100%
Expected dividends	nil
Weighted average grant-date fair value	\$0.22

In January 2008, the Company granted options to acquire up to 500,000 common shares of the Company to an officer. These options are exercisable at \$0.20 and expire seven years after grant.

(ii) Share Accumulation Plan

During the second quarter of 2006, the Company established a Share Accumulation Plan for Directors which enables non-employee directors of the Company to participate in the growth and development of the Company by providing such persons with the opportunity, through deferred share units ("DSUs"), to acquire a proprietary interest in the Company. Under the terms of the plan, each director elects annually to receive their annual compensation in cash, common shares issued from treasury or deferred share units. Four of the non-management directors elected to receive their compensation for 2007 in DSUs. Following the termination of board service, the director will receive the then current fair market value in common shares held in the nominal account.

A total of 700,000 shares have been allocated for issuance from treasury pursuant to this plan. During the year 249,980 shares were allocated to directors bringing the total allocation to 539,323 shares. The Company will ask shareholders at the Annual General and Special Meeting to approve a resolution to increase the number of shares allocated to the plan to 1,200,000. Compensation of \$42,244 (2006 - \$50,519) has been recorded for the year. The total obligation is recorded as a liability as at December 31, 2007.

(c) Warrants

On July 29, 2005, an agent was granted agent's warrants to purchase 872,727 common shares at \$0.55 for a period of 18 months. This option expired in January 2007. The fair value was estimated to be \$272,934 using the Black-Scholes pricing model and the assumptions shown below (this amount was included in contributed surplus as at December 31, 2006).

On June 29, 2007, an agent was granted agent's warrants to purchase 266,667 common shares at \$0.30 for a period of 18 months. The fair value of the warrants was estimated to be \$28,598 using the Black-Scholes pricing model and the assumptions shown below.

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

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	Agent – July 2005	Agent – June 2007	Private Placement
Risk free interest rate	3.80%	4.56%	4.56%
Expected life	18 months	18 months	12 months
Expected volatility	125%	100%	100%
Expected dividends	nil	nil	Nil
Weighted average grant–date fair value	\$0.305	\$0.121	\$0.065

The fair value of the 7,727,273 warrants issued as part of the offering on July 31, 2005 was estimated to be \$309,092 based on the actual trading value of these warrants. These warrants were exercisable at \$0.70 and expired in January 2007. During 2006, the Company entered into an agreement to borrow US\$2.0 million. As part of this arrangement the Company issued warrants to purchase 1,265,000 common shares at \$0.55 (see note 6). As a result of the private placement during the year the exercise price of the warrants was reduced to \$0.305 per share.

Balance, December 31, 2005	\$582,026
Warrants granted	349,665
Balance, December 31, 2006	931,691
Warrants granted	274,931
Agents compensation warrants granted	28,598
Expired during the year	(582,026)
Balance, December 31, 2007	\$653,194

(d) Contributed surplus

Balance, December 31, 2005	\$150,699
Employee and director stock options	\$871,853
Warrants expired during the year	(37,737)
Balance, December 31, 2006	984,815
Employee and director stock options	485,722
Forfeited	(108,213)
Warrants expired during the year	582,026
Balance, December 31, 2007	\$1,944,350

8. Future income taxes

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

	Year Ended December 31,	
	2007	2006
Loss before income taxes	(\$1,583,659)	(\$5,752,810)
Statutory rate	32.12%	32.49%
Income tax recovery at statutory rate	(508,671)	(1,869,088)
Increase (decrease) in taxes resulting from:		
Share issue costs	(21,475)	
Deferred charges	63,036	287,418
Stock based compensation	139,563	
Decrease in Canadian rates and US rate adjustment	(655,240)	
Change in valuation allowance	982,787	1,158,572
Income tax recovery at statutory rate	-	(\$423,098)

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Notes to Consolidated Financial Statements

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

Future income tax asset (liability)	As at December 31,	
	2007	2006
Non-capital losses	\$6,569,795	\$7,584,461
Tax basis of equipment in excess of carrying amounts	52,592	104,288
Share issue costs	269,819	473,508
SRED pool	319,035	193,895
Intellectual property and deferred charges	(120,458)	(282,582)
Valuation allowance	(7,090,783)	(8,073,570)
	-	-

The non-capital tax losses expire as follows:

2015	791,570
2021	2,588,718
2022	2,788,736
2023	2,442,474
2024	3,185,912
2025	1,292,246
2026	6,221,682
2027	780,906

9. 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	2007	2006
Canada	\$6,108,940	\$5,412,274
United States	3,635,944	2,698,460
Total	\$9,744,884	\$8,110,734

	2007	2006
Property and equipment		
Canada	\$484,324	\$701,520
United States	69,076	83,875
	\$553,400	\$785,395
Goodwill		
Canada	\$1,778,177	\$1,778,177

10. Economic dependence

The Company received revenue from six customers for the years ending December 31, 2007 and 2006 (the customers are not the same for both years), amounting to approximately \$6.2 million (2006 - \$6.0 million) representing over 64 % (2006 - 74%) of total revenues. These customers are as follows:

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

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Customer A	\$1,614,789	\$1,906,771
Customer B	1,540,132	1,712,299
Customer C	1,134,994	-
Customer D	1,088,088	-
Customer E	577,575	371,304
Customer F	546,017	79,926
Customer G	286,250	740,025
Customer H	305,450	654,971
Customer I	255,314	584,983
Other customers	2,396,275	2,060,455
Total	\$9,744,884	\$8,110,734

11. Commitments

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

	2007	2006
2007	-	585,889
2008	307,817	571,191
2009	311,261	596,697
2010	225,101	452,779
2011	-	-
2012	-	-

12. Financial instruments

(a) Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from customers. The Company's customers are primarily in the oil and gas and utility industries. The Company has accounts receivable of \$1.2 million from five customers (2006 - \$1.7 million), which represents about 56% (2006 - 69%) of total accounts receivable.

(b) Fair value

The Company's carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximates its fair value due to the immediate or short-term maturity of these instruments.

The fair value of the long-term debt approximates the carrying value as the long-term U.S. interest rates which form the basis of the debt interest rates are similar to those in effect at year-end.

The fair value of the capital lease obligation approximates the carrying value as the implicit interest rate is consistent with the current rates available to the Company for debt with similar terms.

(c) Currency risk

Currency risk is the risk that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to currency risk on its U.S. dollar denominated accounts receivable. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

13. Related Party Transactions

On August 16, 2006 the board granted options to a non-management director to purchase 100,000 common shares exercisable at \$0.55. There were no related party transactions in 2007.

14. Comparative figures

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

Directors & Officers

William Dimma²

Chairman of the Board and Director

Vernon Lobo

Director,
Managing Director of Mosaic Venture Partners

Elson McDougald^{1,2}

Director,
Chairman of the Board, Savanna Energy Services

James C. Baillie¹

Director,
Counsel to Torys LLP

Colum P. Bastable¹

Director,
President & CEO of Cushman & Wakefield LePage

Justin Zinke

Director,
Chief Executive Officer, Decision Dynamics Technology

Ron Green

President,
Decision Dynamics Technology

Doug Strahm

Executive Vice-President US Sales,
Decision Dynamics Technology

Kim Tremblay

Controller & Acting CFO,
Decision Dynamics Technology

Notes:

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

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