



**Decision Dynamics Technology Ltd.**  
**Report for the three month periods ended March 31, 2008 and 2007**

**MANAGEMENT'S REPORT**

The accompanying unaudited interim consolidated financial statements of Decision Dynamics Technology Ltd. ("DDyTech Ltd." or the "Company") for the three and nine months ended March 31, 2008 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

May 27, 2008

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

*"signed" Kimberley Tremblay*  
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Kimberley Tremblay  
Controller and Acting Chief Financial Officer  
Calgary, Alberta

# Decision Dynamics Technology Ltd.

## Unaudited Consolidated Balance Sheets

	As at March 31, 2008	As at December 31, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$1,186,867	\$1,106,618
Accounts receivable	1,302,299	2,076,932
Prepaid expenses	121,063	173,889
	<u>2,610,229</u>	<u>3,357,439</u>
Property and equipment	516,895	553,400
Intangible assets	334,253	459,374
Goodwill	1,778,177	1,778,177
	<u>\$5,239,554</u>	<u>\$6,148,390</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$692,606	\$677,528
Deferred revenue	786,133	867,790
Current portion of long-term debt (note 3)	419,023	522,189
	<u>1,897,762</u>	<u>2,067,507</u>
Shareholders' equity		
Capital stock (note 4)	27,606,710	27,606,710
Warrants (note 4)	653,194	653,194
Contributed surplus (note 4)	2,053,300	1,944,350
Deficit	(26,971,412)	(26,123,371)
	<u>3,341,792</u>	<u>4,080,883</u>
	<u>5,239,554</u>	<u>6,148,390</u>

Future Operations (note 2)

Approved on behalf of the board

"signed" William Dimma  
William Dimma, Director

"signed" James Baillie  
James Baillie, Director

See accompanying notes to the consolidated financial statements.

# Decision Dynamics Technology Ltd.

Unaudited Consolidated Statements of Loss and Deficit

	Three Months Ending	
	March 31, 2008	March 31, 2007
<b>Revenue</b>	\$1,617,790	\$3,179,212
Cost of sales	(573,794)	(842,239)
<b>Gross profit</b>	1,043,996	2,336,973
<b>Expenses</b>		
Research and development	480,249	641,012
Selling and marketing	456,944	552,715
General and administration	544,870	532,438
Restructuring	96,047	-
Stock based compensation	84,579	81,359
<b>Income (loss) before the undernoted</b>	(618,693)	529,449
Amortization of property and equipment	40,923	49,480
Amortization of intangible assets	125,121	125,120
Foreign exchange gain	(14,384)	(10,266)
Interest income	(7,706)	(6,731)
Interest expense	85,394	111,919
<b>Net income (loss) and comprehensive income (loss) for the period</b>	(848,041)	259,927
<b>Deficit, beginning of period</b>	(26,123,371)	(24,539,712)
<b>Deficit, end of period</b>	(26,971,412)	(24,279,785)

See accompanying notes to the consolidated financial statements.

# Decision Dynamics Technology Ltd

## Unaudited Consolidated Statements of Cash Flows

	Three Months Ending	
	March 31, 2008	March 31, 2007
<b>Cash provided by (used in):</b>		
<b>Operations</b>		
Cash received from customers	\$2,370,854	\$2,943,029
Cash paid to suppliers and employees	(2,081,080)	(3,032,502)
Interest received	7,706	6,731
Interest paid	(29,851)	(63,736)
	<u>267,629</u>	<u>(146,478)</u>
<b>Investing activity</b>		
Purchase of equipment	(4,418)	(6,043)
	<u>(4,418)</u>	<u>(6,043)</u>
<b>Financing activities</b>		
Repayment of long-term debt	(179,216)	(213,176)
Issue of shares and warrants net of financing costs	-	1,082
	<u>(179,216)</u>	<u>(212,094)</u>
<b>Changes in foreign currency</b>	<u>(3,746)</u>	<u>26,972</u>
Increase (decrease) in cash and cash equivalents	80,249	(337,643)
Cash and equivalents, beginning of period	<u>1,106,618</u>	<u>1,043,990</u>
Cash and equivalents, end of period	<u>\$1,186,867</u>	<u>\$706,347</u>

# Decision Dynamics Technology Ltd

## Notes to Unaudited Consolidated Financial Statements

Three month periods ended March 31, 2008 and 2007

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### 1. Basis of presentation

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

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

Effective January 1, 2008, the Company adopted the new recommendations of the Canadian Institute of chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and 3863, Financial Instruments – Presentation. The new standards have been adopted on a prospective basis with no restatement of prior periods. Section 1535 requires additional disclosures regarding the Company's capital management (note 7), while Section 3862 addresses financial instruments and the nature, extent and management of risks arising from financial instruments to which the Company may be exposed (note 6). The adoption of Section 3863 had no effect on the presentation of the Company's financial instruments.

### 2. Future operations

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities and commitments in the normal course of business. Recurring losses since inception have resulted in an accumulated deficit of \$27 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.

For the year ended December 31, 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 achieve sustained 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. The Company is also evaluating more significant restructuring, including the possible sale of the enterprise in whole or in part.

### 3. Long Term Debt

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 drawdown is repayable in monthly installments of US\$68,647 including interest over three years and will be repaid in full by the end of 2008.

### 4. Share capital

#### (a) Common shares

Authorized

Unlimited number of voting common shares

Issued and outstanding common shares:

No common shares were issued during the quarter. At December 31, 2007 and March 31, 2008 60,212,466 common shares were outstanding.

# Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three month period ended March 31, 2008

## (b) Stock based compensation

### (i) Stock Option Plan

	Number
<b>Balance, December 31, 2007</b>	<b>7,139,039</b>
Granted to current employees	500,000
Expired	(103,401)
Forfeited	(210,000)
<b>Balance, March 31, 2008</b>	<b>7,325,638</b>

During the period ended March 31, 2008 \$108,950 (2007 - \$46,279) in compensation costs were recorded in the statement of operations and deficit for the options granted to employees, officers and directors. The fair value of common share options granted during the first quarter of 2008 is estimated in the amount of \$84,000 (2007 - \$302,505) at the grant date using the Black-Scholes pricing model based on the following assumptions:

	Three Months
Risk free interest rate	3.77%
Expected life	7 years
Expected volatility	100%
Expected dividends	nil
Grant-date fair value	\$0.168

### (ii) Share Accumulation Plan

A total of 1,200,000 shares have been allocated for issuance from treasury pursuant to the Share Accumulation Plan for directors. During the quarter 151,515 shares were allocated to directors. As at March 31, 2008 a total of 690,838 shares have been allocated to directors. Due to the decreasing share price, the fair market value of the total obligation to directors has decreased and a reduction in the total liability and in compensation of \$24,371 has been recorded for the first three months of the year (2007 - \$35,080 - increase in compensation).

## (c) Contributed surplus

	Amount
<b>Balance, December 31, 2007</b>	<b>1,944,350</b>
Employee and director stock options	127,603
Forfeited	(18,653)
<b>Balance, March 31, 2008</b>	<b>2,053,300</b>

## (d) Per share amounts

The weighted average number of common shares outstanding for the three month period ending March 31, 2008 was 60,212,466 (2007 - 51,384,200). The exercise of options would not have had a dilutive effect for the three month periods ending March 31, 2008 and 2007.

## 5. Segmented information

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

### Revenues by geographic segment

Three months ending  
March 31, 2008 March 31, 2007

Canada	\$1,079,070	\$2,324,461
United States	538,720	854,751
Total	\$1,617,790	\$3,179,212

# Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three month period ended March 31, 2008

	March 31, 2008	December 31, 2007
<b>Property and Equipment</b>		
Canada	\$452,920	\$484,324
United States	63,975	69,076
	<u>\$516,895</u>	<u>\$553,400</u>
<b>Goodwill</b>		
Canada	\$1,778,177	\$1,778,177

## 6. Financial Instruments and Financial Risk Management

The carrying value of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturity of these instruments. The Company has no capital lease obligations.

The nature of these instruments and the Company's operations expose the Company to the following risks:

### (a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from its customers. The extent of the risk depends upon the credit quality of the customer.

Credit approval and monitoring practices are incorporated into the Company's standard sales process to mitigate this risk. They include the review of the creditworthiness of new customers, monitoring customer payment performance and regular follow-up with all non-current customers. When it is determined that all or a portion of an account may not be collectible, the Company establishes an allowance for doubtful accounts.

During the three month period ending March 31, 2008 the Company collected \$21,450 from an account for which an allowance had been made at December 31, 2008. As at the end of the quarter, the Company believes that all amounts are collectible.

The Company has accounts receivable of \$635,732 from five customers (2007 - \$1.17 million) which represents about 59% (2007 - 69%) of total accounts receivable.

### (b) Interest risk

The Company is exposed to interest rate risk on cash balances earning interest income and to the extent that it secures additional debt financing. As at March 31, 2008 the Company has no variable interest debt.

### (c) Liquidity risk

The Company may be exposed to liquidity risk if it is unable to collect its trade accounts receivable balances on a timely basis and if it is unable to secure additional debt or equity financing when needed on a timely basis. This would impact the Company's ability to meet commitments to creditors. The Corporation manages its liquidity risk by carrying a target level of cash on its balance sheet, by maintaining a conservative capital structure, by prudently managing its credit risks and actively managing its accounts receivable.

### (d) Foreign exchange risk

The Company is exposed to foreign exchange risk primarily in the following ways:

- i. Cash flow – About 30% to 40% of the Company's revenue are in US dollars. Debt repayments and a small portion of its expenses are in US dollars. Pricing for US customers for both product lines is in US dollars.
- ii. Working capital – The Company has a Canadian dollar functional currency. As a result the Company is exposed to foreign exchange risk for working capital items denominated in US dollars. At March 31, 2008 the Company had net working capital of \$412,000 denominated in US dollars.

The Company has not managed its foreign currency exposures through the use of financial instruments although it may consider the use of such instruments in the future.

## 7. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern so that it can continue to seek to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal structure to reduce the cost of capital and to facilitate the growth strategy of the Company.

The Company monitors its capital management through analysis of near-term and mid-term cash flow expectations to ensure an adequate amount of liquidity and through the bi-monthly review of financial results and cash flow projections. The Company considers the shareholders equity to be the capital of the Company.

# Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three month period ended March 31, 2008

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

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

## **8. Economic dependence**

The Company received revenue from six customers for the three months ended March 31, 2008 and 2007 amounting to \$1.09 million (2007 - \$2.45 million) representing over 68% (2007 - 77%) of revenue.

## **9. Comparative figures**

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