

May 27, 2008

Management Discussion and Analysis

The Management Discussion and Analysis focuses on key items from the unaudited Consolidated Financial Statements for Decision Dynamics Technology Ltd. (“Decision Dynamics” or the “Company”) for the three months ended March 31, 2008 and 2007. These statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). This discussion should not be considered all-inclusive. For example, 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. Such additional information is not incorporated by reference herein and should not be deemed to be made part of this Management Discussion and analysis, except as indicated herein.

Forward-Looking Statements or Information

In this Management Discussion and Analysis the Company makes forward-looking statements or provides forward looking information (collectively “forward-looking statements”). These forward-looking statements include but are not limited to comments with respect to objectives and strategies, financial condition, results of operations and industry conditions. By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that such forward-looking statements will not be achieved. 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. For example, 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. The financial Risks section of this Management Discussion and analysis provides additional information regarding key factors that could cause actual results to differ materially from those projected in our forward-looking statements. 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	
	Mar. 31, 2008	Mar. 31, 2007
Operating Results		
Revenue	1,618	3,179
Net Loss	(848)	260
Basic and diluted loss per share	(\$0.01)	\$0.01
EBITDAS ⁽¹⁾	(510)	576
Financial Position		
Working Capital	712	457
Total Assets	5,240	6,315

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

Overview

Decision Dynamics, a public company incorporated under the laws of Canada, markets software products and services to the energy sector including major oil & gas, power generation and transmission 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

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
- Improved Response Times
- Efficient Data Entry & Validation
- Designed to be modified as the needs change

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.

Strategy and Outlook

The Company has been successful in its efforts to enhance profitability and attract additional financing. Last year, 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.

Due to seasonal factors and timing of customer decisions, results may vary by quarter; however, Decision Dynamics will continue to focus on revenue growth particularly from software license sales and recurring maintenance but with an increased focus on profitability.

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. 89% of the customers that were with the Company at inception remain customers at the current time, excluding those customers lost through acquisition or merger.

As of the reporting date, active discussions are in progress with a large US customer for a Wellcore license and professional services contract. Management feels confident that these discussions will result in a positive outcome for the Company.

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. The Company is also evaluating more significant restructuring, including the possible sale of the enterprise in whole or in part. 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.

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

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.

(b) Significant accounting policies

The consolidated financial statements for the three months ended March 31, 2008 include the accounts of the Company and its wholly-owned US subsidiary, Decision Dynamics Technology Inc. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the fiscal year ended December 31, 2007.

(c) New accounting policies

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

Results of Operations

	Three Months Ending	
	Mar. 31, 2008	Mar. 31, 2007
\$'000 except per share amounts		
Revenue	1,618	3,179
Expenses	2,237	2,650
	(619)	529
Other (amortization, interest, other)	(229)	(269)
Net loss for the period	(848)	260
Amortization and other	229	269
Non-cash share compensation	109	47
EBITDAS	(510)	576
Basic earnings (loss) per share	(\$0.01)	\$0.01

Revenue for the first quarter of 2008 was down significantly from the prior year as the Company had closed a very large sale of Oncore in 2007 which was not repeated in 2008.

As a result of the staff reductions and other cost cutting measures implemented in 2007, total expenses for the three months ended March 31, 2008 compared to the same period in 2007 were down approximately 16%.

Amortization and other costs are down due to lower amortization and less interest expense. In the first quarter of 2007 non-cash share compensation was reduced by the forfeiture of options as a result of terminations. Excluding the impact of these terminations, non-cash share compensation in 2007 would have been higher than 2008.

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

Revenue

	\$ '000	Three Months Ending	
		Mar. 31, 2008	Mar. 31, 2007
License		761	1,756
Services		857	1,423
Total		<u>1,618</u>	<u>3,179</u>

License revenues for the three month period ending March 31, 2008 compared to March 31, 2007 are down 57% largely as a result of strong sales of Oncore in the first quarter of 2007. Service revenues are down 40% largely due to the smaller number of personnel in the services department.

The Company's revenue recognition policy is set out in the 2007 annual financial statements. Revenue may be dependent upon customer activity levels (drilling activity for Wellcore and Webcore and project activity levels (expenditures) for Oncore) plus the timing of product implementation and contract approvals. Revenue from sales of perpetual licenses generally is recognized once the product has been delivered, that is, installed and is ready for use by the customer. Service and support revenues generally are recognized as delivered (percentage completion). As a result there will be some volatility in the Company's revenues from quarter to quarter depending upon the timing of the signing of contracts and delivery of software.

The Company's revenues are largely dependent upon a small number of customers. Historically the top six customers have provided about 65-80% of quarterly revenues. However, the specific customers change from quarter to quarter. For example only four customers in the top six in Q1 08 were in the top six in Q1 07. The dependence upon a small number of customers is expected to decline as the Company expands its customer base for both products and increases the amount of recurring revenue.

About one-third of the Company's revenues are derived from US based customers. This proportion has remained relatively constant over the last nine quarters.

Gross profit

	\$ '000	Three Months Ending	
		Mar. 31, 2008	Mar. 31, 2007
Revenue		1,618	3,179
Cost of sales		(574)	(842)
Gross profit		<u>1,044</u>	<u>2,337</u>
Gross margin		65%	74%

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

The decrease in gross margin is largely due to the much lower revenues. There is more lost time and less efficiency when sales are low. As well, with fewer staff there is less opportunity for cross-over work between departments.

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Expenses

\$ '000	Three Months Ending	
	Mar. 31, 2008	Mar. 31, 2007
Research and development	480	641
Selling and marketing	457	553
Restructuring costs	96	-
General and administration	545	533
Share Accumulation Plan	(24)	35
Other Stock based compensation	109	46
	<u>1,663</u>	<u>1,808</u>

The decrease in total expenses from Q1 2007 to Q1 2008 was due to cost cutting measures, largely staff reductions. The Company is continuing to reallocate resources from overhead and operations to sales and marketing.

There is some overlap between R&D and service personnel competencies. This provides some flexibility to the Company in the allocation of personnel to service projects and to new product development. Accordingly, even if staff levels remain constant, departmental charges will vary depending upon where the individuals are employed. For example, service personnel may be employed in sales or research and development personnel may assist in implementations or to support the sales process. Decision Dynamics utilizes the Oncore system to allocate personnel charges between departments. The decreases in research and development and in sale and marketing are primarily due to staff reductions; however, the Company has targeted cut backs on expenditures in all areas in reduced marketing, facilities, and so on. General staff reductions and the reduction of office space have reduced G&A; however, the potential savings for this was offset by the addition of a key member to the executive team whose skill set is considered vital to the Company.

The cost recovery for the Directors' Share Accumulation Plan results from the reduction in the price of the Company's shares. Each quarter a number of share units are allocated to the directors. The total number of shares at the end of each quarter is valued at the closing price and the increase or decrease from the prior quarter end is recognized in the quarter. In the first quarter of 2007 non-cash share compensation was reduced by the forfeiture of options as a result of terminations. Excluding the impact of these terminations, non-cash share compensation in 2007 would have been higher than 2008.

Amortization and Other Expenses

\$ '000	Three Months Ending	
	Mar. 31, 2008	Mar. 31, 2007
Amortization of property and equipment	41	49
Amortization of intangible assets	125	125
Foreign exchange (gain)	(14)	(10)
Interest income	(8)	(7)
Interest expense	85	112
	<u>229</u>	<u>269</u>

Decision Dynamics minimized its capital expenditures last year and in this quarter and as the Company uses the declining balance method, amortization of property and equipment has declined this year compared to last year. The amount of intangible assets has not changed and the amortization is the same from quarter-to-quarter and year-to-year. Intangible assets will be fully amortized by the end of 2008.

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

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Interest expense is primarily due to the long-term borrowing the Company entered into during the first quarter of 2006.

Income taxes

The Company has over \$21 million dollars of tax pools available in Canada and the United States to offset future income in the respective jurisdictions. A future income tax asset has not been recognized, as the Company's lack of historical earnings precludes its ability to recognize this asset at this time.

Net loss

	Three Months Ending	
	Mar. 31, 2008	Mar. 31, 2007
\$ '000 except per share amounts		
EBITDAS	(510)	576
Net Income (loss)	(848)	260
Income (loss) per share	(\$0.01)	\$0.01

The positive impact of the Company's cost reduction program has been more than offset by the lower sales resulting in negative EBITDAS and a net loss.

Quarterly results

Following are the results for the three month periods ending (in thousands of Canadian dollars except per share amounts):

	Mar. 31, 08	Dec. 31, 07	Sept. 30, 07	Jun. 30, 07	Mar. 31, 07	Dec. 31, 06	Sept 30, 06	June 30, 06	Mar. 31, 06
Revenue	1618	2154	1811	2,600	3,179	2,776	1,865	1,737	1,733
Net Income (loss)	(848)	(588)	(791)	(461)	260	(991)	(1,425)	(1,574)	(1,340)
Net Income (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)	0.01	(0.02)	(0.03)	(0.03)	(0.03)
EBITDAS	(510)	(144)	(466)	(143)	576	(400)	(910)	(1,262)	(1,018)

Liquidity and capital resources

Working Capital

Working capital has improved \$0.2 million since last year but is down \$0.6 million from \$1.3 million at year-end 2007 to \$0.7 million at the end of the first quarter. This is due to the operating losses resulting from the high level of expenses compared to revenues. The company's cash position is relatively unchanged from year-end due to the payment of receivables by a large customer during the quarter.

Capital requirements

However, current projections indicate that to allow sufficient time for the Company to attain bottom-line profitability, new 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. The Company is also evaluating more significant restructuring, including the possible sale of the enterprise in whole or in part. The Company believes that these initiatives, considered together, will enable it to continue as a going concern with adequate financing.

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Share Capital

As at May 14, 2008 Decision Dynamics had 60,212,466 shares outstanding with a book value of \$27,606,710, 6,978,970 share options to purchase common shares outstanding, 5,784,165 warrants to purchase common shares and 690,838 deferred share units outstanding.

Related Party Transactions

There were no related party transactions during the first quarter of 2008.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements during the three months ended March 31, 2008.

Financial Risks

The sale of software and services is subject to business risks and quarterly fluctuation due to factors including 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 and commodity prices. 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.