



DECISION DYNAMICS
TECHNOLOGY

2008

Management Discussion and Analysis

For the Three and Twelve Month Periods
Ended December 31, 2008 and 2007



April 6, 2009

Management Discussion and Analysis

The Management Discussion and Analysis focuses on key items from the audited Consolidated Financial Statements for the twelve month periods ended December 31, 2008 and 2007 and 2006. These statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Additional information regarding the Company is available on SEDAR at www.sedar.com. Such additional information is not incorporated by reference herein and should not be deemed to be made part of this Management Discussion and Analysis, except as indicated herein.

Forward-Looking Statements or Information

In this Management Discussion and Analysis the Company makes forward-looking statements or provides forward looking information (collectively "forward-looking statements"). These forward-looking statements include but are not limited to comments with respect to objectives and strategies, financial condition, results of operations and industry conditions. By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that such forward-looking statements will not be achieved. Some of the material assumptions that Management has made are:

- the condition of the financial markets will remain at current levels for the foreseeable future
- customers, new and existing, will continue to acquire and expand their use of project cost control and productivity improvement software
- we will continue to be able to attract, motivate and retain talented employees at a sufficient level to achieve our strategic plans

Readers of this analysis are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause actual results to differ materially from the plans, objectives and intentions expressed in such forward-looking statements. The Operating Risks section of this Management Discussion and analysis provides additional information regarding key factors that could cause actual results to differ materially from those projected in our forward-looking statements. Some of the key factors we have considered are:

- impact of the current financial markets condition
- impact of market demand for Oncore™ on revenue growth
- degree of competition in target markets
- our ability to control expenses
- technological changes to Oncore™
- length of sales cycle required to close customer opportunities
- our ability to execute our strategic plans
- our ability to recruit and retain high caliber employees

We caution that the foregoing list of factors is not exhaustive and that, when relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors as well as other uncertainties and events. The forward-looking statements contained herein represent our expectations as of April 6, 2009 and, accordingly, are subject to change after such date. The Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether written or verbal, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

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Financial Highlights (restated to reflect continuing operation only)

Stated in thousands of Canadian dollars except per share amounts

\$'000 except per share amounts	Three months ending			Year Ending		
	Dec. 31, 2008	Dec. 31, 2007	Dec 31, 2006	Dec. 31, 2008	Dec. 31, 2007	Dec 31, 2006
Operating Results						
Revenue	549	851	1,433	2,212	4,002	2,577
Net income (loss)	(682)	(618)	139	(3,003)	(1,316)	(1,936)
before discontinued operations						
Basic and diluted income (loss) per share, before discontinued operations	(0.01)	(0.01)	0.002	(0.05)	(0.02)	(0.04)
Basic and diluted income (loss) per share, after discontinued operations	(0.01)	(0.04)	(0.02)	0.004	(0.03)	(0.10)
EBITDAS ⁽¹⁾	(589)	(337)	423	(1,930)	(951)	(1,627)
Financial Position						
Cash and equivalents				3,815	1,107	1,044
Working capital (2)				4,064	1,290	201
Total assets				5,391	6,148	7,311

- (1) "EBITDAS" means earnings from continuing operations before interest, taxes, depreciation, amortization, loss on sale of assets, gain on sale of discontinued operations and stock compensation. The derivation of EBITDAS is shown in the Results of Operations section below.
- (2) "Working capital" means current assets less current liabilities. The calculation of working capital is disclosed in the Liquidity and Capital Resources section found later in this Management Discussion and Analysis.
- (3) Readers are cautioned that EBITDAS and working capital do 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.

Overview

Decision Dynamics, a public company incorporated under the laws of Canada, markets Oncore™, a software product and services targeted primarily at the energy sector including major power generation and transmission companies. This innovative project cost control software captures, routes, and reports critical information at every level of the company making business processes faster and more reliable.

Decision Dynamics is a Microsoft Gold Certified Partner with over twenty years of experience in the energy industry. It operates a wholly-owned foreign subsidiary in the United States of America.

Strategy and Outlook

This section is forward-looking by nature. It is qualified in its entirety by the Forward Looking Statements or Information disclaimer at the beginning of this Management Discussion and Analysis. It is further qualified by the Operating Risks section at the end of this Management Discussion and Analysis.

2008 was a year of significant change for the Company. The Company began the year with two product lines - Wellcore and Oncore™, operations in Calgary, Edmonton and Houston, \$1.1 million in cash and equivalents, and \$522,189 in outstanding debt.

A component of the Company's strategic plan was to investigate the sale of part or all of the business, to ensure there would be sufficient time to obtain bottom-line profitability. The Company began negotiations with P2ES Canada Inc. for the sale of the Wellcore product line which included all of the Wellcore software, all applicable intellectual property including intangibles and goodwill, accounts receivable, deferred revenues and marketing and other materials.

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On September 16, 2008, the Company completed the sale of the Wellcore product line, which provided the Company with approximately \$4.8 million, composed of the purchase price of \$5.0 million plus receivables less deferred revenue. A holdback of \$0.5 million will be paid to the Company during the year, subject to certain conditions. Subsequent to December 31, 2008, approximately \$150,000 of this holdback has been received by the Company.

With the sale of the Wellcore product, the Company was able to undertake further personnel restructuring as the business realigned its labour and facility requirements to a single product company. Over the last two quarters of the year, the Houston office was closed down, and the Edmonton office was downsized.

At the close of 2008, the Company had divested the Wellcore product and the associated staff, had reduced staff and related expenses, had closed the Houston office and restructured the Edmonton facility, had eliminated all debt and had \$3.8 million in cash and equivalents. The reduction from two product lines to one, and related reduction of all personnel and facility has allowed the Company achieve a reduction in total continuing company expenses, including cost of sales, of 18% in 2008. This expense savings would be even higher, as there were many one-off expenses included in 2008, such as restructuring expenses related to termination packages, hiring of new sales and development personnel and facility closure expenses related to Edmonton and Houston. The sale of Wellcore will allow the Company to focus on a single product line, and make the appropriate investments to grow the Company. With a larger, more focused sales team and a stronger, more advanced product, the Company believes this will result in the generation of higher new license and services revenues.

Although 2008 new license and service revenues were less than those of 2007, the recurring revenue base increased over 2007. 2008 revenue levels reflect a much smaller staff focused on Oncore™ sales with a reduced marketing component, as the Company scaled back on expenses early in the year.

After the sale of Wellcore, the Company began its initiative to start strategically positioning Oncore™ as the leading innovative knowledge capture, workflow management, reporting and analytics software solution to the energy sector. The influx of cash from the sale allowed the Company to execute on its first strategic objective of building a dynamic and cohesive sales force. During the third quarter, the Company hired Jason MacVicar as Executive Vice President of Sales, as the first step in this initiative. Mr. MacVicar has developed a customer centric focused team, concentrating on targeting new growth opportunities for Oncore™, as well as increasing the implementation of Oncore™ within the Company's existing customer base. The Company feels this initiative is critical to the future success of the organization, and is anticipating this will result in higher sales, a shorter sales cycle and overall greater customer satisfaction. The Company intends to expand on this initiative through the adoption of a methodical sales and marketing process that focuses on expanding the Oncore™ customer base as well as increasing the customer awareness of Oncore™ within targeted industries.

The Company further executed on its second strategic objective, which is to develop additional high value capability for the Oncore™ product. During the fourth quarter, the Company recruited Chris Ronak as the Vice President of Product Development. Under Mr. Ronak's leadership, a development team with a strong technical background has been assembled, and has put forward planned improvements and advancements to the current Oncore™ technology. In addition, the Company initiated a Customer Satisfaction initiative which will see the Company launch new internal and external practices designed to ensure that customers are highly satisfied with the Company and the product.

Despite the fact that the Company has sufficient cash to fund its current operations and to execute on our strategic initiatives, we intend to maintain a strategic and conservative approach, and will look to generate positive cash flow from operations. The Company's ability to be successful in generating bottom line profitability and positive cash flow from operations will continue to be contingent upon the increased acceptance of the Oncore™ product and expanding its overall customer base. Continuing efforts are being made to monitor current expenses, and align future spending with expected revenue. If the Company sales initiatives do not result in an increased acceptance of our product, and a higher revenue stream, than further restructuring, including the possible sale of the Company, may become necessary

Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities and commitments in the normal course of business.

As of the transaction date of September 16, 2008, the Company has restated all periods and all information to present only the revenues and expenses attributable to the Oncore™ product line.

(b) Significant accounting policies

The consolidated financial statements for the three and twelve months ended December 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, except as noted below.

(c) New accounting policies

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

(d) Recent accounting pronouncements

In February 2008, the Accounting Standards Board (AcSB) confirmed that all Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011. We have not completed our assessment of the impact of the convergence of Canadian GAAP with IFRS on our results of operations, financial position and disclosures and therefore the impact of the transition to IFRS from GAAP on the Company's financial statements is not yet determinable. The Company intends to complete the assessment of the impact and make appropriate plans to ensure successful implementation within the required timeframe.

Results of Operations (restated to reflect continuing operation only)

\$ '000 except per share amounts	Three Months Ending			Year Ending		Dec 31, 2006
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	
Revenue	549	851	1,433	2,212	4,002	2,577
Expenses	1,147	1,263	1,117	4,301	5,217	4,550
	(598)	(412)	316	(2,089)	(1,215)	(1,973)
Other (amortization, interest, other)	(82)	(206)	(177)	(914)	(101)	(38)
Income tax recovery	-	-	-	-	-	-
Loss before discontinued operations	(680)	(618)	139	(3,003)	(1,316)	(2,011)
Other and income taxes	82	206	177	914	101	38
Non-cash share compensation	9	75	107	159	264	346
EBITDAS	(589)	(337)	423	(1,930)	(951)	(1,627)
Basic and diluted income (loss) per share, before discontinued operations	(\$0.01)	(\$0.01)	\$0.002	(\$0.05)	(\$0.02)	(\$0.04)
Basic and diluted income (loss) per share, after discontinued operations	(\$0.01)	(\$0.04)	(\$0.02)	\$0.004	(\$0.03)	\$0.10
Weighted average number of common shares outstanding	60,212	60,202	51,625	60,212	56,081	51,590

2008 was a challenging year for generating new revenue, with a much smaller sales staff available to drive Oncore™ revenue growth, as well as a decreased number of services personnel available to deliver services revenue. Q4 2008 license and service revenues are down from 2007 and 2006, as both previous years included large perpetual license sales that were not repeated in 2008.

During 2008, the Company restructured its workforce, and re-evaluated its facility management. As a result of this, the Edmonton office was downsized and the Houston office was closed during 2008, and the Company headcount was reduced with the divestment of Wellcore. In addition, the Company decided to relocate the Edmonton data centre facility to Calgary. Some of the savings from these personnel and facility reductions have been offset by one-time expenses incurred in the personnel restructuring, closing of the facilities, relocation of the Edmonton data centre, and consulting.

Total expenses, including cost of sales, for the last quarter of the year decreased 9% as a result of the restructuring and cost cutting discussed above. Over the course of 2008, total expenses, including cost of sales, were reduced by 18% from 2007, although some of the savings from the restructuring of the workforce and cost cutting has been offset by one-time expenses related to these initiatives, such as severance packages and office and personnel relocation expenses.

Other costs are higher due to recognition of a goodwill impairment loss in 2008 of \$597,152. In addition, foreign exchange gains were less in 2008, as the US dollar continued to strengthen during the year. Approximately 25% of the Company's revenue is in US dollars and a small portion of its expenses are in US dollars. Non-cash share compensation expense decreased in both the three months and twelve months ending December 31, 2008, respectively, as a result of option forfeitures due to the personnel restructuring.

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

Revenue (restated to reflect continuing operation only)

\$ '000 except per share amounts	Three Months Ending			Year Ending		Dec 31, 2006
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	
License	284	508	1,247	1,152	2,657	2,053
Services	265	343	186	1,060	1,345	524
Total	549	851	1,433	2,212	4,002	2,577

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 may be dependent upon project activity levels (expenditures) plus the timing of the product implementation. Revenue from sales of perpetual licenses is recognized once the product has been delivered, and is ready for use by the customer. Service and support revenues are recognized as delivered. 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.

License sales for Q4 2008 were down from both Q4 in 2007 and 2006. The last quarter of Q4 2006 included two large Oncore™ perpetual license sales, while Q4 2007 included two smaller license sales. While the last quarter of 2008 included a strong recurring subscription component, license revenue decreased due to the lack of closed perpetual license sales in that quarter. 2007 and 2006 were strong years for Oncore™ license sales, with most of the Company's current customers generating strong perpetual license revenue in those fiscal periods. The decrease in 2008 license sales from 2007 and 2006 is in part due to a much smaller Oncore™ sales staff available to drive license revenue across both product lines in 2008, as well as a significantly scaled back marketing effort as the Company worked to align expenses with decreased revenues. While perpetual license sales dropped in 2008, the recurring component of license sales, through subscription and maintenance revenues, remained equal to 2007 levels, and higher than in 2006.

Q4 2008 services revenue were down 22% from the same period in 2007 and up 42% from Q4 2006. The slowdown in 2008 services revenue from 2007 is due to reduced services personnel available to work on revenue generating projects. However, the increase in Q4 2008 over Q4 2006 is indicative of the increase in customer projects, as the customer base from which projects are generated from has expanded each year. For the year ended December 31, 2008, services revenue are down 21% from 2007, and have increased 102% since 2006. As the customer base has grown, the number of ongoing projects has increased, resulting in a significant increase in services revenue since 2006. However, the smaller number of personnel in the services department directly impacts the Company's ability to deliver services revenue, which has resulted in a decrease in this revenue from 2007.

Approximately \$1.3 million of the 2008 revenues were recurring revenues from multi-year license, support and maintenance contracts, up from \$1.2 million in 2007, and \$.9 million in 2006. This increase in the recurring revenue base reflects the increase in maintenance revenues from perpetual sales closed in 2007 and 2006, as well as a consistent revenue stream from subscription revenues and support contracts.

The Company's revenues are largely dependent upon a small number of customers. For the last two fiscal years, the top six customers have provided approximately 88% of the Company's annual revenues. As the Company continues to expand its customer base, the amount of recurring revenue will continue to increase, and this dependence upon a small number of customers is expected to decline.

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Gross profit (restated to reflect continuing operation only)

\$ '000	Three Months Ending			Year Ending		
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Revenue	549	851	1,433	2,212	4,002	2,577
Cost of sales	(174)	(273)	(158)	(1,018)	(1,372)	(1,153)
Gross profit (1)	375	578	1,275	1,194	2,630	1,424
Gross margin (1)	68%	68%	89%	54%	66%	55%

Notes

- (1) "Gross profit" is revenue less cost of sales and "gross margin" is gross profit divided by revenue expressed as a percentage.
- (2) Gross profit and gross margin do not have a standardized meaning under GAAP and may not be comparable to the same terms as used by other entities in the industry; however, the Company believes they are an important measure of performance and indicator of success for software businesses and are relevant to readers within the investment community.

Cost of sales includes the cost of the service, support and customer hosting personnel (both productive and non-productive time), warranty work, hosting costs and sales commissions. Expenses for the year and the quarter ended December 31, 2008 also include the costs associated with the relocation of the Company data centre facility. This relocation has incurred additional personnel and hosting expenses that are expected to recur until early 2009 until the data centre facility relocation is complete. The foregoing information is forward-looking by nature. It is qualified in its entirety by the Forward Looking Statements or Information disclaimer at the beginning of this Management Discussion and Analysis. It is further qualified by the Operating Risks section at the end of this Management Discussion and Analysis.

Cost of sales may vary substantially from quarter to quarter. From time-to-time service personnel may work on sales projects or development projects thereby reducing the charge to cost of sales. Warranty work does not produce revenues, and the expense related to non-chargeable and administrative tasks included in cost of sales will vary throughout the year.

For the quarter ended December 31, 2008, cost of sales decreased about 36% from Q4 2007 and increased about 10% from Q4 2006. The decrease in cost of sales reflects the reduced number of personnel in the service department, compared to the same periods in 2007. Cost of sales increased from Q4 2006 in part due to the increased number of customer projects from the same period in 2006, which increases the labour allocations into cost of sales from other departments, if needed. Cost of sales for the year ended December 31, 2008 decreased 26% and 12% from 2007 and 2006, respectively. The decrease from both 2007 and 2006 is due to less services personnel in the services department in 2008.

Gross margin is dependent upon the mix of license and services revenue, customer service requirements and service utilization rates. The decrease in gross margin for the year ended December 31, 2008 compared to 2007 is due to lower service revenues, as well as additional hosting fees while the data centre is relocated. Gross margin did not change from 2006 even though service revenues were significantly lower in 2006. This is due in part to a higher license revenue stream in 2006, as well as a higher labour allocation charge into cost of sales in 2006. There is more non-billable time that is absorbed in cost of sales when service revenues are lower. As well, with fewer staff, there is less opportunity for cross-over work between departments.

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Expenses (restated to reflect continuing operation only)

\$ '000	Three Months Ending			Year Ending		
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006
Research and development	208	397	93	886	1,427	847
Selling and marketing	222	136	277	682	1,022	1,186
Restructuring costs	9	28	173	223	48	173
General and administration	521	382	261	1,381	1,027	795
Share Accumulation Plan	(14)	(37)	14	(66)	42	51
Other stock based compensation	28	83	108	177	279	346
	<u>974</u>	<u>989</u>	<u>926</u>	<u>3,283</u>	<u>3,845</u>	<u>3,398</u>

The 15% decrease in expenses from the year ending December 31, 2007 was primarily due to staff and organizational restructuring done during the year, but also due to cost cutting measures the Company implemented to align expenses. Although the personnel and organizational restructuring and focus on fiscal control resulted in significant expense savings for the Company, some of this savings was mitigated through one-time restructuring expenses related to severance packages, closure costs for the Houston office and downsizing of the Edmonton office, and higher consulting costs incurred in 2008. Expenses for 2008 compared to 2006 are slightly down, however, the 2008 results include many one-off expenses related to the staff and organizational restructuring undertaken during the year.

Expenses for the quarter ended December 31, 2008 decreased from Q4 07 and increased from Q4 06. The decrease in research and development expenses from Q4 07 is due primarily to less personnel in development. The increase in selling and marketing expenses reflects the start of the Company's investment back into sales and marketing in Q4 08. General and administration increased in Q4 08 as compared to Q4 07 and Q4 06 due to one time expenses for retention bonuses and recruiting fees incurred in 2008.

R&D expenses for the year ended December 31, 2008 decreased 38% from the same period in 2007. This decrease from 2007 is primarily a result of staff restructuring, as well as cost cutting measures implemented by the Company to align expenses. Research and development expenses increased slightly from the year ended December 31, 2006 although overall headcount was reduced. There is some overlap between R&D and service personnel competencies. This provides the Company with some flexibility in the allocation of personnel to service projects and to new product development. As a result, R&D expenses may vary due to allocations of staff throughout the year to or from service projects. The 2007 expenses reflect not only a higher headcount and salary base, but lower allocations out of development into other departments, while in 2006, a larger amount of research and development time was allocated to cost of sales and sales. This allocation in 2006 can also be seen in the quarterly results. Q4 08 expenses are over double the expenses in Q4 06, due to much higher labor allocations out of research development in Q4 06. The staff restructuring done in 2008 resulted in Q4 08 expenses decreasing 46% over Q4 07.

During 2008, selling and marketing expenses decreased 33% over the 2007 fiscal year, and 42% over the 2006 fiscal year, a result of staff restructuring but also due to reduced marketing expenses in 2008 as the Company cut back on these expenses until later in Q4 08. The decreased sales and marketing expenses in 2008 also reflect a reduction in the sales support work done by services and development personnel for pilots, demonstrations, and other support services. On a quarterly basis, sales and marketing expenses for Q4 08 were up from Q4 07, reflecting the Company's investment back into sales and marketing, and down 11% from 2006, reflecting the impact of staff reductions.

Restructuring expenses for the year ended December 31, 2008 are significantly higher than the same period in 2007, and are slightly higher than in 2006. There was minimal restructuring undertaken in 2007 as the Company and organization wide restructuring was undertaken in the current fiscal year. Q4 08 restructuring expenses are lower than Q4 07 and significantly lower than Q4 06, as most of the Company restructuring took place in the quarters leading up to Q4 08.

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As stated in the first paragraph above, some of the expense savings that were achieved through personnel and organizational restructuring and from focused fiscal control was offset by additional one time expenses in the 2008 fiscal year. In order for the Company to realign its work force to meet its objectives for development of the sales and development teams, it was necessary to invest more in external recruiting for these teams. The closure of the Houston office and downsizing of the Edmonton office during 2008 resulted in one-off expenses incurred to close these operations. During Q4 2008, after the sale of the Wellcore product line, the Company expensed retention costs in the form of salary increases and one-time bonuses for staff. The cumulative impact of these one time expenses was a 34% increase in 2008 general and administration expenses over 2007 expenses. General and administration expenses were significantly higher in 2008 as compared to 2006. Some of this increase is due to higher corporate salary expenses as compared to 2006, including payment of retention bonuses in Q4 2008. As well, recruiting in 2008 was much higher as investments were made in sourcing and retaining quality development and sales individuals. Public company expenses for audit, tax and legal were also higher in 2008 than in 2006.

The decrease in stock price, in addition to the Company restructuring initiatives, has resulted in reduced stock based compensation in 2008, both for the quarter and the period ending December 31, as compared to 2007 and 2006. When employees are restructured, the associated option expense related to their forfeited options is reversed at the time of termination, resulting in a decrease in the compensation expense associated with employee stock options.

The Directors Stock Accumulation Plan ("SAP") is valued each quarter using a volume weighted average stock price. Due to the declining stock price, this has resulted in a reduction of the liability of this plan as this liability is measured at the quarter end volume weighted average stock price, and a recovery of expense has been recorded for the year. In the last quarter of 2008, the SAP was modified by the Company. The directors determined that a modification of the SAP was necessary to address the impact of an undervalued share price when calculating the allocation of shares into the SAP. Under this modification, the share price used in the calculation of the quarterly share allocation would be set at \$.04 or the quarterly volume weighted average price, whichever is greater. This modification impacts only the calculation of the amount of shares allocated into the SAP, and has no impact on the valuation of the liability and related expense or recovery.

In addition, the directors were given the option of receiving their annual compensation half in cash and half in DSUs, or completely in cash. For the last quarter of 2008, the majority of the non-management directors elected to receive their compensation split evenly between DSUs and cash, which provides the maximum amount of DSUs available under the modified SAP. Following termination of board service, the directors will receive the then current fair market value in common shares held in the nominal account.

Amortization and Other Expenses (restated to reflect continuing operation only)

\$ '000	Three Months Ending			Year Ending		Dec 31, 2006
	Dec 31, 2008	Dec 31, 2007	Dec 31, 2006	Dec 31, 2008	Dec 31, 2007	
Amortization of property and equipment	95	108	62	166	203	237
Foreign exchange (gain) loss	(93)	56	90	(42)	(236)	118
Loss on disposal of equipment and leasehold improvements	99	20	-	99	20	-
Interest income	(19)	(8)	(3)	(26)	(17)	(28)
Interest expense	1	31	28	121	130	135
Goodwill impairment loss	-	-	-	597	-	-
	83	207	177	915	100	462

The decrease in annual and quarterly 2008 amortization from 2007 reflects the overall minimal amount of capital additions in 2007, as well as disposals of assets, reducing the asset base available for amortization. The decrease in Q4 08 amortization over Q4 07 reflects a one-time adjustment made in the allocation of amortization to the discontinued operation. Without the impact of this adjustment, Q4 08 quarterly amortization has increased over both 2007 and 2006, reflecting the impact of capital expenditures incurred to upgrade the data centre in Calgary and to replace old equipment and infrastructure.

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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 primarily from differences arising from the conversion of assets owned by the Company's US subsidiary from US dollars to Canadian dollars. Foreign exchange fluctuations therefore will continue, depending on the level of fluctuation in the Canadian and United States dollar exchange rates.

The increase in 2008 loss on disposal of assets is due to the closure of the Houston office and downsizing of the Edmonton office in 2008. All leasehold improvements and any surplus assets that were not relocated to the Calgary office were disposed of, resulting in a loss on disposal of assets.

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, which was fully repaid in Q3 08.

During the third quarter of 2008, Management performed a goodwill impairment test on the goodwill that remained after disposing of the Wellcore product line. The remaining goodwill was found to be impaired, and an impairment loss for the entire amount of the remaining goodwill has been recorded.

Income taxes

The Company has approximately \$24.0 million dollars of tax pools available in Canada and the United States to offset 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.

Quarterly Results

The following quarterly results have been restated to reflect the results of continuing operations only (in thousands of Canadian dollars except per share amounts):

	Dec 31 2008	Sept 30 2008	June 30 2008	March 31 2008	Dec 31 2007	Sept 30 2007	June 30 2007	March 31 2007
Revenue	549	455	575	633	851	665	978	1,507
Net income (loss), before discontinued operations	(682)	(1,308)	(536)	(476)	(618)	(431)	(370)	102
Income (loss) per share, before discontinued operations	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(0.01)	0.002
Income (loss) per share, after discontinued operations	(\$0.01)	\$0.04	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.01)	(0.01)	0.01
EBITDAS	(589)	(592)	(406)	(343)	(337)	(442)	(376)	204

Liquidity and capital resources

Working Capital

The sale of the Wellcore assets in the third quarter of 2008 provided the Company with a boost to working capital. At December 31, 2007, working capital was \$1.29 million, as compared to \$4.1 million at December 31, 2008. The Company used the funds from the sale to pay off existing debt, and to fund 2008 operations, as shown below:

Working capital, December 31, 2007	1,290
Sale of Wellcore assets	4,829
Repayment of long-term debt (including interest)	(850)
Used in operations and other	(1,198)
Working capital, December 31, 2008 (1)	<u>4,071</u>

Notes:

(1) Working capital is current assets minus current liabilities. It does not have a standardized meaning under GAAP and may not be comparable to the same terms as used by other entities in the industry; however, the Company believes that it is an important measure of performance and indicator of success for software businesses and are relevant to readers within the investment community

Decision Dynamics Technology Ltd.

Management Discussion and Analysis

Five customers provided approximately 99% of the total trade accounts receivable at December 31, 2008 compared to 83% and 96% at December 31, 2007 and 2006 respectively. All trade account receivables are considered collectible at December 31, 2008 and are expected to be collected within the first quarter of 2009. A holdback of \$435,786 related to the sale of the Wellcore assets is included as assets from discontinued operations, of which approximately \$150,000 has been collected subsequent to the balance sheet date. The remaining amount of the holdback will be paid to the Company during the year, subject to certain conditions. The remaining accounts payable and accrued liabilities are planned for disbursement over the next six months, depending on the nature of the payable and/or accrual.

Capital requirements

The inflow of cash from the sale of the Wellcore assets to a subsidiary of P2 Energy Solutions, Inc. has provided the Company with a large amount of cash and equivalents at the balance sheet date. As well, the Company has a strong recurring revenue component that provides cash throughout the fiscal year. Management believes these factors, combined with the current initiatives to generate new revenue, will provide the Company with the capital resources and liquidity necessary to fund our current operations and finance our current growth strategies.

Share Capital

As at April 6, 2009 Decision Dynamics had 60,212,466 shares outstanding with a book value of \$27,606,710, 6,064,492 share options to purchase common shares outstanding, and warrants to purchase 1,265,000 common shares outstanding.

Normal Course Issuer Bid

The Company commenced a normal course issuer bid, effective for one year, on December 15, 2008. Under this bid, the Company may purchase for cancellation up to 3,020,623 million or 5% of its common shares outstanding as at December 15, 2008. No purchases under the normal course issuer bid were made during the fiscal year ended December 31, 2008. As of April 6, 2009, the Company has purchased 811,000 or 27% of the shares available under the terms of the normal course issuer bid.

Operating Risks

This section is forward-looking by nature. It is qualified in its entirety by the Forward Looking Statements or Information disclaimer at the beginning of this Management's Discussion and Analysis.

The sale of software and services is subject to business risks that may adversely affect the Company's operations. As discussed in the Forward Looking Statements and Information section, these risks could include risks related to revenue expectations, operating results, impact of current economic conditions on our customers, product development, and employee retention. Management evaluates and monitors these risks on an ongoing basis, and takes steps to minimize these risks. However, it is not possible to completely mitigate these risks, as many of these risks are beyond our control.

1. Revenue Expectations

Although we anticipate that investing in and developing the sales organization will result in revenue growth, there is no guarantee that this will result in increased sales of Oncore™. If we are unable to build upon existing customer demand, and generate new customer interest in Oncore™, revenues may not be at the level estimated by Management. In addition, the dynamics of the sales cycle and our close rate will continue to evolve with the development of our sales organization, which makes predicting the timing of sales difficult. Delays in closing sales could cause decreases in our revenues and results. In 2008, the Company received approximately 88% of its revenue from only six customers. A loss in this customer base could be a significant impact.

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The Company has taken steps to mitigate the risk of decreased sales and customer concentration through the recruitment of an experienced sales team that is focused on identification of prospect opportunities that fit our customer profile, and present a need that the Oncore™ product can fulfill. In addition, the Company has adopted a successful sales methodology that will enable the sales organization to accelerate pipeline opportunities into closed sales. We have also deployed a new sales model that more closely aligns efficient and cost-effective customer use of Oncore™ with our revenue expectations. Finally, we have put into place initiatives to work closely with our existing customer base to secure customer commitment, retention and satisfaction.

2. Current Economy

The Company results could differ significantly as current market conditions may adversely impact our customers.

The very nature of Oncore™ serves to mitigate this risk. The Company has found that the level of interest from potential new customers in a cost control solution has remained constant. With the softened economy, these customers are increasingly focused on cost control and productivity improvement solutions. The Company's sales models provide our customers with the opportunity to manage and control their project costs in the most cost-effective, efficient manner for them.

However, the Company believes that the current economic conditions may impact our customers' abilities to proceed with projects. As such, we intend to maintain a cautious outlook on our own revenue expectations. The Company's new sales methodology process will improve the Company's ability to determine the risk that the Company may bear in customers not pursuing intended projects or license purchases. This in turn will improve the Company's ability to proactively manage our revenue expectations. and manage our own expenses to those expectations.

3. Product Development and Intellectual Property

Our customers have changing demands, and are expecting frequent and relevant product enhancements. If we are not able to respond quickly and effectively, we run the risk of Oncore™ becoming obsolete. This could result in customer loss and our ability to convert pipeline opportunities into revenue, and to maintain our existing customer relationships. The Company relies on confidentiality procedures and contractual provisions to protect our proprietary rights. We provide the Oncore™ software to customers under a Licensing Schedule and Related Services Agreement.

Management has launched a product development plan that will take the Oncore™ technology as it currently is, to a product that incorporates next generation tools and features that our customers have identified as being essential for their ongoing satisfaction and commitment to the product. In addition, we have established a Product Steering Team that includes regular customer user group sessions. These sessions will enable customers to meet with the Company to discuss their existing use of the product, the strengths and weaknesses they have identified, and what they anticipate their future requirements will be.

The Company does not sell or transfer title to Oncore™ to our customers. Under our Licensing Schedule and Software Related Services Agreement, Oncore™ may be used by the customer for internal purposes only. The Company believes that the legal specifications in our agreements provide minimal protection of our intellectual property. Instead, our best protection in protecting our proprietary rights is product development and enhancement to advance the technical capability of our product, as well as a demonstrated commitment to customer satisfaction and building of strong customer relationships.