

2009

Interim Consolidated Financial Statements
For the Three and Six Month Periods Ended June 30, 2009 and 2008



DECISION DYNAMICS
TECHNOLOGY

Decision Dynamics Technology | 300, 717, 7th Avenue SW | Calgary, Alberta Canada T2P0Z3
| www.ddytech.com | Phone: 403.451.0700 | 1866.481.2741

Decision Dynamics Technology Ltd.

Report for the three and six month periods ended June 30, 2009 and 2008

MANAGEMENT'S REPORT

The accompanying unaudited interim consolidated financial statements of Decision Dynamics Technology Ltd. ("DDyTech Ltd." or the "Company") for the three and six month periods ended June 30, 2009 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditors.

August 12, 2009

"signed" R.J. (Justin) Zinke

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

"signed" Kimberley Tremblay

Kimberley Tremblay
Chief Financial Officer
Calgary, Alberta

Decision Dynamics Technology Ltd.

Unaudited Consolidated Balance Sheets

	As at June 30 2009	As at December 31, 2008
ASSETS		
Current		
Cash and cash equivalents	\$2,876,237	\$3,815,016
Accounts receivable (note 7)	1,104,534	496,679
Prepaid expenses	81,032	147,728
Assets of discontinued operations (note 4)	267,739	435,786
	<hr/> 4,329,542	<hr/> 4,895,209
Long term accounts receivable (note 7)	101,276	-
Property and equipment	437,908	495,568
	<hr/> \$4,868,726	<hr/> \$5,390,777
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$410,754	\$694,859
Deferred revenue - current	392,968	136,575
	<hr/> 803,722	<hr/> 831,434
Deferred revenue - long term	101,276	-
Shareholders' equity		
Capital stock (note 5)	27,053,743	27,606,710
Warrants (note 5)	349,638	349,638
Contributed surplus (note 5)	2,988,105	2,471,987
Deficit	(26,427,758)	(25,868,992)
	<hr/> 3,963,728	<hr/> 4,559,343
	<hr/> \$4,868,726	<hr/> \$5,390,777
Future operations (note 3)		

Approved on behalf of the board

"signed" William Dimma
William Dimma, Director

"signed" James Baillie
James Baillie, Director

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Unaudited Consolidated Statements of Income (Loss) and Deficit

	Three Months Ending		Six Months Ending	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Revenue	\$1,841,854	\$574,681	\$2,252,766	\$1,207,616
Cost of sales	(416,867)	(277,517)	(672,568)	(535,518)
Gross profit	1,424,987	297,164	1,580,198	672,098
Expenses				
Research and development	304,302	198,690	591,541	425,044
Selling and marketing	275,071	178,548	578,689	390,172
General and administration	246,381	234,502	531,420	505,066
Restructuring (note 6)	58,844	134,512	207,117	144,307
Stock based compensation	45,364	67,320	101,408	131,263
Income (loss) before the undernoted	495,025	(516,408)	(429,977)	(923,754)
Amortization of property and equipment	47,501	26,291	93,890	44,153
Foreign exchange loss	39,047	11,318	29,272	30,746
Interest income	(3,153)	(1,344)	(8,836)	(4,269)
Interest expense	9,456	29,567	14,462	63,537
Income (loss) and comprehensive income (loss) before discontinued operations	402,174	(582,240)	(558,765)	(1,057,921)
Results from discontinued operations (note 4)	-	(356,105)	-	(728,465)
Net income (loss) after discontinued operations	402,174	(938,345)	(558,765)	(1,786,386)
Deficit, beginning of period	(26,829,932)	(26,971,412)	(25,868,993)	(26,123,371)
Deficit, end of period	(26,427,758)	(27,909,757)	(26,427,758)	(27,909,757)
Basic and diluted income (loss) per share	\$0.01	(\$0.02)	(\$0.01)	(\$0.02)

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Unaudited Consolidated Statements of Cash Flows

	Three Months Ending		Six Months Ending	
	June 30	June 30	June 30	June 30
	2009	2008	2009	2008
Cash provided by (used in):				
Operations				
Cash received from customers	\$1,172,820	\$546,391	\$1,861,268	\$1,604,998
Cash paid to suppliers and employees	(1,377,267)	(1,118,757)	(2,878,950)	(2,183,403)
Interest received	3,154	1,344	8,836	4,270
Interest paid	(9,456)	(8,732)	(14,462)	(20,076)
	<u>(210,749)</u>	<u>(579,754)</u>	<u>(1,023,308)</u>	<u>(594,211)</u>
Discontinued operation	1,579	34,543	168,047	188,776
Investing activity				
Purchase of equipment	(9,411)	(47,535)	(36,230)	(51,953)
Financing activities				
Repayment of long-term debt	-	(84,801)	-	(136,164)
Repurchase of shares	(16,470)	-	(47,320)	-
	<u>(16,470)</u>	<u>(84,801)</u>	<u>(47,320)</u>	<u>(136,164)</u>
Changes in foreign currency	<u>(24)</u>	<u>1,269</u>	<u>32</u>	<u>(2,477)</u>
Decrease in cash and cash equivalents	(235,075)	(676,278)	(938,779)	(596,029)
Cash and equivalents, beginning of period	<u>3,111,312</u>	<u>1,186,867</u>	<u>3,815,016</u>	<u>1,106,618</u>
Cash and equivalents, end of period	<u>\$2,876,237</u>	<u>\$510,589</u>	<u>\$2,876,237</u>	<u>\$510,589</u>

See accompanying notes to the consolidated financial statements

Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2009 and 2008

1. Basis of presentation

The unaudited consolidated interim financial statements of Decision Dynamics Technology Ltd. (the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated. The unaudited consolidated interim financial statements do not include all of the disclosures normally provided in annual financial statements and accordingly they should be read in conjunction with the audited consolidated financial statements, including the notes thereto, as at and for the year ended December 31, 2008.

The unaudited consolidated interim financial statements follow the same significant accounting policies and methods of application as the most recent audited financial statements of the Company as at and for the year ended December 31, 2008, except as noted below.

2. Recent accounting pronouncements issued and not applied

Convergence with International Financial Reporting Standards ("IFRS")

Canada's Accounting Standards Board ratified a strategic plan that will result in GAAP, as currently used by Canadian public companies, being evolved and converged with IFRS over a transitional period to be completed by 2011. The official changeover date to IFRS is for interim and annual financial statements related to fiscal years commencing on or after January 1, 2011. We are closely monitoring regulatory developments made by the CICA and the Canadian Securities Administrator that may affect the timing, nature or disclosure of our adoption of IFRS. As a number of the IFRS standards are changing, we will continue to assess the impact of the proposed standards on our consolidated financial statements and disclosure as additional information becomes available.

Business Combinations

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

Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1601 - "Consolidated Financial Statements" and 1602 - "Non-controlling Interests" which will replace Handbook Section 1600 - "Consolidated Financial Statements". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These new standards substantially harmonize Canadian GAAP with IFRS. These sections are to be implemented concurrently with Section 1582. We will assess the impact of these new standards prior to adoption.

3. Future operations

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities and commitments in the normal course of business. The Company had a cash balance of \$2.9 million at the end of the second quarter. As at August 12, 2009, the cash balance was \$2.8 million.

Management believes that the current cash position, in addition to the cash flow expected to be generated from operations, will be sufficient to allow the Company to continue to execute on its strategic objectives.

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.

Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2009 and 2008

4. Discontinued operations

In the third quarter of 2008, the Company completed the sale of the Wellcore product line to P2 Canada Energy Inc. The results of the discontinued operation for the three and six months ended June 30, 2008 were as follows:

	Three Months Ending June 30, 2008	Six Months Ending June 30, 2008
Revenue	\$ 881,869	\$ 1,866,724
Cost of Sales	<u>(192,665)</u>	<u>(508,458)</u>
Gross Profit	689,204	1,358,266
Expenses		
Research and development	204,949	458,844
Selling and marketing	189,814	435,134
General and administration	50,973	325,279
Restructuring	184,159	270,411
Stock based compensation	213,074	233,710
Amortization of property and equipment	21,096	44,157
Amortization of intangible assets	125,121	250,242
Foreign exchange gain	7,590	(26,222)
Interest income	(2,433)	(7,214)
Interest expense	<u>50,966</u>	<u>102,390</u>
	1,045,309	2,086,731
Loss from discontinued operations	<u>\$ (356,105)</u>	<u>\$ (728,465)</u>

The Company currently has a \$267,739 receivable with P2 Canada Energy Inc, related to the sale of the Wellcore product line. This will be paid out to the Company over the remainder of 2009, subject to certain conditions, and is recorded at fair value. During the first quarter of 2009, the Company received payment on a portion of the outstanding balance recorded at December 31, 2008.

5. Share capital

(a) Common shares

Authorized:

Unlimited number of voting common shares

Issued and outstanding common shares:

	Number	Amount
Balance, December 31, 2008	60,212,466	\$ 27,606,710
Purchased and cancelled	-	(30,850)
Balance, March 31, 2009	60,212,466	\$ 27,575,860
Purchased and cancelled	(1,206,000)	(522,087)
Purchased for cancellation	-	(30)
Balance, June 30, 2009	59,006,466	\$ 27,053,743

The Company commenced a normal course issuer bid, effective for one year, on December 15, 2008. Under this bid, the Company may purchase for cancellation up to 3,020,623 or 5% of its common shares outstanding as at December 15, 2008. Monthly purchases are limited to 1,204,249 or 2% of the common shares outstanding as at December 15, 2008. The excess of the purchase price over the weighted average cost of shares purchased for cancellation will be charged to contributed surplus.

Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2009 and 2008

As of June 30, 2009, the Company has purchased and cancelled 1,206,000 or 40% of the shares authorized for purchase under the terms of the normal course issuer bid, for total consideration of \$47,290, or an average stock price of \$0.039 per share. The excess weighted average carrying amount of common shares purchased over amounts paid under the normal course issuer bid of \$505,647 has been included in contributed surplus.

A further 1,000 shares were purchased in the second quarter of 2009 for total consideration of \$30. These shares were cancelled as of July 31, 2009. As of August 12, 2009, a total of 1,207,000 or 40% of the shares authorized for purchase under the terms of the normal course issuer bid have been purchased and cancelled.

(b) Stock based compensation

(i) Stock Option Plan

	Number
Balance, December 31, 2008	6,064,492
Expired	(36,415)
Forfeited	(85,001)
Balance, March 31, 2009	5,943,076
Expired	(1,687,559)
Forfeited	(26,000)
Balance, June 30, 2009	4,229,517

Option Exercise Price	Options Granted
\$0.04	1,425,000
\$0.16	1,944,636
\$0.205 - \$0.31	270,000
\$0.55 - \$0.745	589,881
	4,229,517

During the three and six month periods ended June 30, 2009, \$7,542 and \$10,679 (2008 - \$75,651 and \$160,214) in compensation costs were recorded in the statement of income (loss) and deficit for the options granted to employees, officers and directors. No stock option grants were issued during the first half of 2009.

(ii) Share Accumulation Plan

Due to an increasing share price during the first half of the year, the fair market value of the total obligation to directors has increased by \$26,364. Total compensation expense for the Share Accumulation Plan ("SAP") for the three and six months ended June 30, 2009, including cash compensation is \$37,822 and \$90,729 (2008 - \$8,331 and \$28,951 decrease in compensation).

During the quarter, 112,500 shares were allocated to directors under the SAP. As at June 30, 2009, a total of 1,886,461 shares have been allocated to directors. At December 31, 2008, a total of 1,200,000 shares had been allocated for issuance from treasury. At the Annual General and Special Meeting held on May 25, 2009, the Company asked for and received approval from the shareholders to increase the number of shares allocated to the plan to 2,200,000.

Due to the declining share price in 2008, the calculation of shares to be allocated to the SAP resulted in a much higher amount of shares being allocated than was expected when the plan was developed. In the last quarter of 2008, the SAP was modified by the Company in order to address this. The directors determined that a modification of the SAP was necessary to address the impact of an undervalued share price. Under this modification, the share price used in the calculation of the quarterly share allocation would be set at \$.04 or the quarterly volume weighted average price, whichever is greater. For the quarter ended June 30, 2009, the quarterly volume weighted average price exceeded the set share price of \$.04, and the allocation of shares into the SAP was calculated using the quarterly volume weighted average price of \$.05.

In addition, the directors were given the option of receiving their annual compensation half in cash and half in DSUs, or completely in cash. For 2009, the majority of the non-management directors elected to receive their compensation split evenly between DSUs and cash, which provides the maximum amount of DSUs available under the modified SAP. Following termination of board service, the directors will receive the then current fair market value in common shares held in the nominal account.

Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2009 and 2008

(c) Warrants

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

(d) Contributed surplus

	Amount
Balance, December 31, 2008	\$ 2,471,987
Employee and director stock options	9,757
Forfeited	(6,828)
Balance, March 31, 2009	\$ 2,474,916
Employee and director stock options	7,984
Forfeited	(442)
Cancellation of shares under Normal Course Issuer Bid	505,647
Balance, June 30, 2009	\$ 2,988,105

(e) Per share amounts

The weighted average number of common shares outstanding for the three and six months period ending June 30, 2009 was 59,899,306 and 59,589,587 respectively (2008 – 60,212,466 and 60,212,466). The exercise of options would not have had a dilutive effect for the three and six month periods ending June 30, 2009 and 2008.

6. Restructuring

A significant part of the Company's ongoing cost management is a restructuring of the personnel to align with corporate objectives. For the second quarter and first half of the year, the Company recorded \$58,844 and \$207,117 respectively, of expenses related to severance packages for staff involved in restructuring, as compared to \$134,512 and \$144,307 for the same periods in 2008.

7. Financial Instruments

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

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

Revenue relating to the accretion of accounts receivable included in interest income during the second quarter of the year is approximately \$2,000. Interest income due to accretion is determined using the effective interest rate method.

8. Segmented information

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

Revenues by geographic segment	Three Months Ending		Six Months Ending	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Canada	\$ 1,827,411	\$ 468,670	\$ 2,213,346	\$ 1,008,717
United States	14,443	106,011	39,420	198,899
Total	\$ 1,841,854	\$ 574,681	\$ 2,252,766	\$ 1,207,616

Decision Dynamics Technology Ltd.

Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2009 and 2008

9. Economic dependence

The Company received revenue from six customers for the three and six months ended June 30, 2009 and 2008 amounting to \$1,794,513 and \$2,158,638 (2008 - \$503,043 and \$919,205) representing over 97% and 96% (2008 – 88% and 76%) of revenue.

10. Comparative figures

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