



## **Interim Consolidated Financial Statements**

**For the Three and Six Month Periods ended June 30, 2007 and 2006**

**DECISION DYNAMICS TECHNOLOGY LTD.  
SUITE 300, 717 – 7TH AVENUE SW  
CALGARY, AB T2P 0Z3 CANADA**

**Decision Dynamics Technology Ltd.**  
**Report for the three and six month periods ended June 30, 2007 and 2006**

**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 months ended June 30, 2007 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 8, 2007

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

"signed"  
David N. Hunt  
Chief Financial Officer  
Calgary, Alberta

# Decision Dynamics Technology Ltd.

## Unaudited Consolidated Balance Sheets

	As at June 30, 2007	As at December 31, 2006
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$2,163,295	\$1,043,990
Accounts receivable	2,266,675	2,483,969
Prepaid expenses	143,187	259,875
	<u>4,573,157</u>	<u>3,787,834</u>
Property and equipment	699,410	785,395
Intangible assets	709,616	959,858
Goodwill	1,778,177	1,778,177
	<u>\$7,760,360</u>	<u>\$7,311,264</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$927,796	\$1,317,217
Deferred revenue	774,782	1,701,133
Current portion of long-term debt	417,618	568,222
	<u>2,120,196</u>	<u>3,586,572</u>
Deferred revenue	39,375	157,499
Long-term debt	420,752	661,269
	<u>2,580,323</u>	<u>4,405,340</u>
Shareholders' equity		
Capital stock (note 4)	27,555,484	25,529,130
Warrants (note 4)	647,777	658,757
Contributed surplus (note 4)	1,717,083	1,257,749
Deficit	(24,740,307)	(24,539,712)
	<u>5,180,037</u>	<u>2,905,924</u>
	<u>\$7,760,360</u>	<u>\$7,311,264</u>

Future Operations (note 2)

Approved on behalf of the board

"signed"  
William Dimma, Director

"signed"  
James Baillie, Director

See accompanying notes to the consolidated financial statements.

# Decision Dynamics Technology Ltd.

## Unaudited Consolidated Statements of Operations and Deficit

### Income

	<b>Three Months Ending</b>		<b>Six Months Ending</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenue</b>	\$2,600,208	\$1,737,089	\$5,779,419	\$3,470,324
Cost of sales	(918,150)	(757,143)	(1,678,443)	(1,484,437)
<b>Gross profit</b>	1,682,058	979,946	4,100,976	1,985,887
<b>Expenses</b>				
Research and development	614,712	854,935	1,255,724	1,457,049
Selling and marketing	654,450	943,325	1,289,111	1,672,712
General and administration	517,007	412,416	1,045,696	1,105,379
Stock based compensation	137,139	241,849	222,248	457,849
<b>Income (loss) before the undernoted</b>	(241,250)	(1,472,579)	288,197	(2,707,102)
Amortization of property and equipment	56,819	60,333	106,299	107,882
Amortization of intangible assets	125,121	125,121	250,242	250,242
Foreign exchange (gain) loss	(53,555)	67,851	(63,821)	52,088
Interest income	(5,670)	(30,039)	(12,401)	(40,565)
Interest expense	96,556	124,125	208,473	260,314
<b>Loss before income taxes</b>	(460,521)	(1,819,970)	(200,595)	(3,337,063)
Future income tax recovery	-	(246,000)	-	(423,098)
<b>Loss and comprehensive loss for the period</b>	(460,521)	(1,573,970)	(200,595)	(2,913,965)
<b>Deficit, beginning of period</b>	(24,279,786)	(20,549,995)	(24,539,712)	(19,210,000)
<b>Deficit, end of period</b>	(\$24,740,307)	(\$22,123,965)	(\$24,740,307)	(\$22,123,965)
<b>Basic and diluted loss per share</b>	(\$0.01)	(\$0.03)	(\$0.00)	(\$0.06)

See accompanying notes to the consolidated financial statements.

# Decision Dynamics Technology Ltd

## Unaudited Consolidated Statements of Cash Flows

	<b>Three Months Ending</b>		<b>Six Months Ending</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Cash provided by (used in):</b>				
<b>Operations</b>				
Cash received from customers	\$1,946,044	\$1,772,729	\$4,889,073	\$3,284,172
Cash paid to suppliers and employees	(2,581,213)	(3,301,492)	(5,613,715)	(5,782,844)
Interest received	5,670	30,039	12,401	40,565
Interest paid	(46,628)	(83,706)	(110,364)	(169,175)
	<u>(676,127)</u>	<u>(1,582,430)</u>	<u>(822,605)</u>	<u>(2,627,282)</u>
<b>Investing activity</b>				
Purchase of equipment	(14,269)	(135,731)	(20,312)	(299,072)
	<u>(14,269)</u>	<u>(135,731)</u>	<u>(20,312)</u>	<u>(299,072)</u>
<b>Financing activities</b>				
Issue of long-term debt		-		2,281,000
Repayment of long-term debt	(158,980)	(157,273)	(372,156)	(312,438)
Issue of shares and warrants net of financing costs	2,323,384	14,982	2,324,466	59,682
Deferred financing costs	-	-	-	(81,874)
Payment of capital lease	-	(3,005)	-	(5,926)
	<u>2,164,404</u>	<u>(145,296)</u>	<u>1,952,310</u>	<u>1,940,444</u>
<b>Changes in foreign currency</b>	<u>(17,060)</u>	<u>(113,224)</u>	<u>9,912</u>	<u>(97,461)</u>
Increase (decrease) in cash and cash equivalents	1,456,948	(1,976,681)	1,119,305	(1,083,371)
Cash and equivalents, beginning of period	<u>706,347</u>	<u>4,017,591</u>	<u>1,043,990</u>	<u>3,124,281</u>
Cash and equivalents, end of period	<u>\$2,163,295</u>	<u>\$2,040,910</u>	<u>\$2,163,295</u>	<u>\$2,040,910</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, 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 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, 2006.

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, 2006, except as addressed in note 3.

### 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. The Company had a small loss and achieved a positive Income Before the Undernoted for the first six months of 2007; however, recurring losses since inception have resulted in an accumulated deficit of \$25 million. The application of the going concern concept is dependent upon the Company's ability to continue to maintain and grow sales and control costs and/or receive continued support from shareholders and investors.

In June, the Company raised about \$2.3 million (net of issue costs) through the private placement of common shares and warrants. These funds will be used to increase market penetration in the United States, accelerate new product development and augment working capital. Strong sales combined with effective cost management should provide sufficient cash to enable the Company to conduct its anticipated operations over the next twelve months and beyond. 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.

### 3. Changes in Accounting Policies

#### Financial Instruments

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

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. The Company had no "other comprehensive income or loss" transactions during the six months ended June 30, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

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

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. Deferred financing costs relating to the issuance of the long-term debt is included in the carrying value of the long-term debt. The Company had neither available-for-sale, nor held to maturity instruments during the six months ended June 30, 2007.

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2007

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

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

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item. The Company does not have any hedges as at June 30, 2007.

### Going concern

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

## 4. Share capital

### (a) Common shares

Authorized

Unlimited number of voting common shares

In June, 2007 the Company sold 8,338,333 units for \$0.30 per unit for total gross proceeds of \$2.5 million. Each unit consisted of one common share plus one-half warrant. Each full warrant is exercisable into one common share at a price of \$0.40 per share for a period of one year from the date of issuance thereof.

About \$1.0 million of the placement was brokered and the Company paid a cash commission of \$80,000 equal to 8% of the applicable gross proceeds, 25,000 common shares and agent's warrants exercisable for 266,667 common shares.

Issued and outstanding common shares:

	Number	Amount
<b>Balance, December 31, 2006</b>	<b>51,625,240</b>	<b>25,529,130</b>
Shares issued on exercise of stock options	5,203	1,082
Issued to agent	25,000	
Private placement issuance of shares	8,338,333	2,025,272
<b>Balance June 30, 2007</b>	<b>59,993,776</b>	<b>27,555,484</b>

### (b) Stock based compensation

(i) Stock Option Plan

	Number
<b>Balance, December 31, 2006</b>	<b>8,987,034</b>
Granted to current employees	1,150,000
Expired	(1,419,388)
Exercised	(5,203)
Forfeited	(1,503,321)
<b>Balance, June 30, 2007</b>	<b>7,209,122</b>

During the period ended June 30, 2007 \$150,241 (2006 - \$425,974) in compensation costs were recorded in the statement of operations and deficit for the options granted to employees, officers and

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2007

directors. The fair value of common share options granted during the first two quarters of 2007 is estimated in the amount of \$265,600 (2006 - \$73,143) at the grant date using the Black-Scholes pricing model based on the following assumptions:

	Second quarter	First quarter
Risk free interest rate	4.05 – 4.56%	4.05 – 4.14%
Expected life	7 years	7 years
Expected volatility	100%	100%
Expected dividends	nil	nil
Weighted average grant-date fair value	\$0.231	\$0.226

### (ii) Share Accumulation Plan

A total of 700,000 shares have been allocated for issuance from treasury pursuant to the Share Accumulation Plan for directors. During the quarter 48,940 shares were allocated to directors. As at June 30, 2007, a total of 399,758 shares have been allocated to directors. Compensation of \$79,506 (including \$7,500 of cash compensation) has been recorded for the first half of the year (2006 – \$31,875).

### (c) Warrants

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

During June 2007, the Company issued 4,169,165 warrants pursuant to a private placement. A warrant is exercisable into one common share at a price of \$0.40 per share for a period of one year from the date of issuance thereof. The fair value of the warrants was estimated to be \$269,514 using the Black-Scholes pricing model and the assumptions shown below.

	Agent	Private Placement
Risk free interest rate	4.56%	4.56%
Expected life	18 months	12 months
Expected volatility	100%	100%
Expected dividends	nil	nil
Weighted average grant-date fair value	\$0.107	\$0.065

	Amount
<b>Balance, December 31, 2006</b>	658,757
Expired during the year	(309,092)
Agents compensation warrants	28,598
Warrants issued pursuant to the private placement	269,514
<b>Balance, June 30, 2007</b>	<b>647,777</b>

### (d) Contributed surplus

	Amount
<b>Balance, December 31, 2006</b>	1,257,479
Warrants expired during the year	309,092
Employee and director stock options	252,398
Forfeited	(101,886)
<b>Balance, June 30, 2007</b>	<b>1,717,083</b>

### (e) Per share amounts

The weighted average number of common shares outstanding for the three and six month periods ending June 30, 2007 was 51,685,931 and 51,984,347 respectively (2006 – 51,576,875 and 51,553,533). The exercise of options would not have had a dilutive effect for the three and six month period ending June 30, 2007 and 2006.

# Decision Dynamics Technology Ltd.

## Notes to Unaudited Consolidated Financial Statements

Three and six month periods ended June 30, 2007

### 5. Future income taxes

Income taxes are estimated based upon estimated Canadian and US income for the six months ending June 30, 2007 at current Canadian and US income tax rates. The Company and its subsidiary have over \$21 million of accumulated tax losses in Canada and the United States of America which are available to offset future income taxes; however, the benefit of these losses as a future tax asset will not be recognized until the profitability of the Company and its ability to utilize these losses before they expire has been clearly established.

### 6. 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		Six months ending	
	Jun. 30, 2007	Jun. 30, 2006	Jun. 30, 2007	Jun. 30, 2006
Canada	\$1,387,079	\$1,155,433	\$3,711,539	\$2,224,194
United States	1,213,129	581,656	2,067,880	1,246,130
Total	\$2,600,208	\$1,737,089	\$5,779,419	\$3,470,324

	As at	
	Jun. 30, 2007	Dec. 31, 2006
<b>Property and Equipment</b>		
Canada	\$613,275	\$701,520
United States	86,135	83,875
	<u>\$699,410</u>	<u>\$785,395</u>
<b>Goodwill</b>		
Canada	\$1,778,177	\$1,778,177

### 7. Comparative figures

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