



**Interim Financial Statements
For the Periods Ended June 30, 2006 and 2005**

**DECISION DYNAMICS TECHNOLOGY LTD.
SUITE 700, 717 – 7TH AVENUE SW
CALGARY, AB T2P 0Z3 CANADA**

Decision Dynamics Technology Ltd.

Report for the periods ending June 30, 2006 and 2005

Management's Report

The accompanying unaudited interim consolidated financial statements of Decision Dynamics Technology Ltd. (DDyTech Ltd.) for the three (3) and six (6) months ended June 30, 2006 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 16, 2006

"signed"
Cecil F. Shewchuk
Chief Executive Officer
Calgary, Alberta

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

Decision Dynamics Technology Ltd.

Consolidated Balance Sheets

(Unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Current		
Cash and cash equivalents	\$2,040,910	\$3,124,281
Accounts receivable	1,979,749	1,405,250
Income taxes receivable	195,119	215,149
Work in progress	349,368	223,398
Prepaid expenses	293,382	352,891
	<hr/> 4,858,528	<hr/> 5,320,969
Deferred financing costs (Note 3)	517,498	-
Property and equipment	726,751	535,561
Intellectual property and other assets	1,210,100	1,460,342
Goodwill	1,778,177	1,778,177
	<hr/> \$9,091,054	<hr/> \$9,095,049
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LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$913,962	\$910,439
Deferred revenue	566,914	620,749
Current portion of lease	6,624	12,550
Current portion of long-term debt (Note 3)	688,433	-
	<hr/> 2,175,933	<hr/> 1,543,738
Deferred revenue	755,320	313,138
Future tax liability	-	246,000
Long-term debt (Note 3)	1,234,756	-
	<hr/> 4,166,009	<hr/> 2,102,876
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Shareholders' Equity		
Capital stock (Note 4)	25,529,130	25,469,448
Contributed surplus (Note 4)	1,163,880	732,725
Deficit	(21,767,965)	(19,210,000)
	<hr/> 4,925,045	<hr/> 6,992,173
	<hr/> \$9,091,054	<hr/> \$9,095,049
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Nature of operations (Note 2)

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Consolidated Statements of Loss and Deficit
(Unaudited)

	Three Months Ending			Six Months Ending	
	June 30, 2006	Mar 31, 2006 (Note 1)	June 30, 2005	June 30, 2006	June 30, 2005
Revenue	\$1,737,089	\$1,733,235	\$522,773	\$3,470,324	\$1,024,924
Expenses					
Research and development	854,935	602,114	99,760	1,457,049	206,576
Selling and marketing	1,026,768	765,478	74,912	1,792,246	295,173
Professional service costs	673,700	691,203	153,520	1,364,903	327,321
General and administration	476,265	730,963	675,127	1,207,228	1,134,590
	<u>3,031,668</u>	<u>2,789,758</u>	<u>1,003,319</u>	<u>5,821,426</u>	<u>1,963,660</u>
Loss before the undernoted	(1,294,579)	(1,056,523)	(480,546)	(2,351,102)	(938,736)
Amortization of property and equipment	60,333	47,549	24,150	107,882	38,947
Amortization of intangible assets	125,121	125,121	-	250,242	-
Foreign exchange loss (gain)	67,851	(15,763)	546	52,088	1,520
Interest income	(30,039)	(10,526)	(454)	(40,565)	(306)
Interest expense (Note 3)	124,125	136,189	(64,857)	260,314	78,804
	<u>(1,641,970)</u>	<u>(1,339,093)</u>	<u>(439,931)</u>	<u>(2,981,063)</u>	<u>(1,057,701)</u>
Net loss before income taxes	(1,641,970)	(1,339,093)	(439,931)	(2,981,063)	(1,057,701)
Future income tax recovery (Note 5)	(246,000)	(177,098)	-	(423,098)	-
	<u>(1,395,970)</u>	<u>(1,161,995)</u>	<u>(439,931)</u>	<u>(2,557,965)</u>	<u>(1,057,701)</u>
Net loss for the period	(1,395,970)	(1,161,995)	(439,931)	(2,557,965)	(1,057,701)
Deficit, beginning of period	(20,371,995)	(19,210,000)	(16,527,210)	(19,210,000)	(15,899,440)
	<u>(\$21,767,965)</u>	<u>(\$20,371,995)</u>	<u>(\$16,967,141)</u>	<u>(\$21,767,965)</u>	<u>(\$16,957,141)</u>
Deficit, end of period					
Basic and diluted loss per share	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.05)	(\$0.02)
Weighted average number of common shares outstanding	51,576,875	51,529,931	37,617,160	51,553,533	37,617,160

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ending			Six Months Ending	
	June 30, 2006	Mar 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Cash provided by (used in):					
Operations					
Cash received from customers	\$1,772,729	\$1,511,443	\$619,730	\$3,284,172	\$898,815
Cash paid to suppliers and employees	(3,317,023)	(2,352,173)	(1,025,277)	(5,669,196)	(1,992,297)
Interest received	30,039	10,526	454	40,565	306
Interest paid	(83,706)	(85,469)	(78,806)	(169,175)	(78,806)
	<u>(1,597,961)</u>	<u>(915,673)</u>	<u>(483,899)</u>	<u>(2,513,634)</u>	<u>(1,171,982)</u>
Investing activity					
Purchase of equipment	(135,731)	(163,341)	-	(299,072)	-
Changes in non-cash working capital	15,531	(129,179)	-	(113,648)	-
	<u>(120,200)</u>	<u>(292,520)</u>	<u>-</u>	<u>(412,720)</u>	<u>-</u>
Financing activities					
Issue of long-term debt	-	2,281,000	-	2,281,000	-
Repayment of long-term debt	(157,273)	(155,165)	-	(312,438)	-
Issue of convertible debenture, net of issue costs	-	-	-	-	495,163
Issue of shares net of financing costs	14,982	44,700	586,816	59,682	587,584
Deferred financing costs	-	(81,874)	-	(81,874)	-
Payment of capital lease	(3,005)	(2,921)	-	(5,926)	-
	<u>(145,296)</u>	<u>2,085,740</u>	<u>586,816</u>	<u>1,940,444</u>	<u>1,082,747</u>
Changes in foreign currency	<u>(113,224)</u>	<u>15,763</u>	<u>-</u>	<u>(97,461)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(1,976,681)	893,310	102,917	(1,083,371)	(89,235)
Cash and cash equivalents, beginning of period	4,017,591	3,124,281	30,874	3,124,281	223,026
Cash and cash equivalents, end of period	<u>\$2,040,910</u>	<u>\$4,017,591</u>	<u>\$133,791</u>	<u>\$2,040,910</u>	<u>\$133,791</u>

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

(Unaudited)

Six months ended June 30, 2006

1. Basis of Presentation

These unaudited consolidated interim financial statements 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 significant intercompany balances and transactions have been eliminated.

These unaudited consolidated interim financial statements do not include all of the disclosures normally provided in annual financial statements. They should be read in conjunction with the audited consolidated financial statements, including the notes thereto, for the year ended December 31, 2005.

These 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 for the year ended December 31, 2005.

The transaction between LOR Capital Inc., Time Industrial Inc. and Malibu Engineering & Software Ltd. resulted in a substantially different company. DDyTech now has two significant product suites with substantially broader target markets. Wellcore is an established product with much larger revenues. The new company has substantially more employees particularly in the sales, sales support, marketing and product development areas. As a result comparisons to historical results, that is results prior to July 29, 2005 may not be relevant and may not be useful as indicators of future performance. Accordingly the results for the first quarter have been included in the financial statements for comparability.

2. Nature of operations

These financial statements have been prepared on a going concern basis, which assumed the realization of assets and liquidation of liabilities and commitments in the normal course of business as shown in the financial statements. The Company has an accumulated deficit of \$21,767,965 as a result of recurring losses since inception. The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued support from shareholders and investors.

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.

Failure to generate profitable operations may require the Company to either restructure or curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters cannot be predicted at this time.

3. Long-term debt and promissory notes

During the first quarter, the Company entered into an agreement to borrow US\$4.0 million. The Company drew down US\$2.0 million and has the option of drawing down the balance later in the year dependent upon the attainment of certain objectives by the Company and the concurrence by the lender. The drawdown is repayable in monthly installments of US\$68,647 including interest over the next three years. The interest rate is 14.3% per annum and DDyTech Ltd. has granted the lender five year warrants to purchase 1,265,000 common shares at \$0.55 per share. The interest rate and additional warrants to be issued related to drawdown of the balance will be determined at the time of the drawdown. The loan has been secured by a general security agreement on all property including all intellectual property and a certificate of insurance.

The fair value of the 1,265,000 warrants issued was \$349,665 which was recorded as \$526,763 of deferred financing costs and \$177,098 of additional future tax liabilities which was immediately offset to income tax recovery. The fair value of the warrants was determined using the Black-Scholes pricing model using the following assumptions: a five year life, volatility factor of 125%, risk free interest rate of 3.80% and no expected dividend yield. In addition to the fair value of the warrants, the Company also incurred \$81,874 of additional deferred financing costs. The total deferred financing costs of \$608,637 will be amortized using the effective yield method over the term of the debt and recorded in the consolidated statement of loss as additional interest expense. For the three and six months ended June 30, 2006 \$40,419 and \$91,139 of deferred financing costs were amortized.

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

(Unaudited)

Six months ended June 30, 2006

4. Share capital

Authorized

Unlimited number of voting common shares

Issued and outstanding common shares:

	Number	Amount
Balance, December 31, 2005	51,381,598	\$25,469,448
Shares issued on exercise of stock options	150,000	44,700
Balance, March 31, 2006	51,531,598	25,514,148
Shares issued on exercise of stock options	93,642	14,982
Balance, June 30, 2006	51,625,240	\$25,529,130

Stock options

	Number
Balance, December 31, 2005	9,125,782
Exercised	(150,000)
Cancelled	(380,945)
Balance, March 31, 2006	8,594,837
Exercised	(93,642)
Issued	258,000
Cancelled	(248,125)
Balance, June 30, 2006	8,511,070

DDYTech Ltd. Options issued to:	Number	Weighted average exercise price
Officers and Directors	6,674,314	0.20
Current employees	1,491,757	0.43
Former employees	344,999	0.61
Balance, June 30, 2006	8,511,070	\$0.25

Number outstanding	Weighted average remaining contractual life	Weighted average exercise price
6,311,482	5.38 years	0.16
53,059	5.67 years	0.21
250,000	6.33 years	0.31
250,000	6.33 years	0.40
258,000	6.83 years	0.50
340,221	2.92 years	0.51
400,000	4.33 years	0.55
344,999	0.08 years	0.61
303,309	3.66 years	0.74
8,511,070		0.25

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

(Unaudited)

Six months ended June 30, 2006

Contributed surplus

Balance, December 31, 2005	\$732,725
Employee and director stock options	38,045
Lender warrants issued	349,665
Balance, March 31, 2006	1,120,435
Employee and director stock options	31,929
Deferred share unit compensation	31,875
Options forfeited	(20,359)
Balance, June 30, 2006	\$1,163,880

During the six month periods ending June 30, 2006 and 2005 \$69,974 (2005 - \$Nil) in compensation costs were recorded in the statement of loss for the options granted to employees, officers and directors.

The fair value of common share options issued in the six months ending June 30, 2006 is estimated in the amount of \$73,143 at the grant date using the Black-Scholes pricing model based on the following assumptions: a seven year life, volatility factor of 125%, risk free interest rate of 4.39% and no expected dividend yield.

Share Accumulation Plan for Directors

During the second quarter, the Company established a Share Accumulation Plan for Directors which enables non-employee directors of the Company to participate in the growth and development of the Company by providing such persons with the opportunity, through deferred share units ("DSUs"), to acquire a proprietary interest in the Company. Under the terms of the plan, each director elects annually to receive their annual compensation in cash, common shares issued from treasury or deferred share units. The four non-management directors elected for 2006 at the Annual General and Special Meeting have elected to receive their compensation for 2006 in DSUs. Following termination of board service, the director will receive the then current fair market value in common shares held in the nominal account.

88,767 DSUs have been allocated to directors representing \$31,875 of compensation. A total of 300,000 shares have been allocated for issuance from treasury pursuant to this plan.

5. Future income taxes

During the second quarter, the Company established an internal restructuring plan that will result in its ability to utilize previously unrecognized future tax assets. As a result, a future income tax recovery of \$246,000 has been recorded for the period ended June 30, 2006.

6. Segmented information

The Company's entire 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	2006	2005
Canada	\$2,224,194	\$378,483
United States	1,246,130	646,441
Total	\$3,470,324	\$1,024,924

Total assets	2006	2005
Canada	\$8,457,129	\$6,898,747
United States	633,925	2,196,302
Total	\$9,091,054	\$9,095,049

7. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.