



Management Discussion and Analysis For the Period Ended June 30, 2006

**DECISION DYNAMICS TECHNOLOGY LTD.
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August 16, 2006

Management Discussion and Analysis

The Management Discussion and Analysis focuses on key items from the unaudited Consolidated Financial Statements for Decision Dynamics Technology Ltd. ("Decision Dynamics" or the "Company") for the six and three months ended June 30, 2006. This discussion should be read in conjunction with the audited Consolidated Financial Statements for Decision Dynamics Technology Ltd. for the years ended December 31, 2005 and December 31, 2004. These statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). This discussion should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. Additionally, other matters may occur which could affect the company in the future.

As a result of the significant transaction on July 29, 2005 wherein three companies combined to form Decision Dynamics Technology Ltd., certain historical information may not be directly comparable with current results. This is detailed in Overview below. This discussion should be read in conjunction with the Company's prospectus dated July 29, 2005 and financial statements contained therein. Additional information regarding the Company is available on SEDAR at www.sedar.com.

Forward-Looking Statements or Information

In this Management Discussion and Analysis the Company makes forward-looking statements or provides forward looking information (collectively "forward-looking statements"). These forward-looking statements include but are not limited to comments with respect to objectives and strategies, financial condition, results of operations and industry conditions. By their nature, these forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, and the risk that such forward-looking statements will not be achieved. Readers of this analysis are cautioned not to place undue reliance on these forward-looking statements as a number of important factors could cause actual future results to differ materially from the plans, objectives, estimates and intentions expressed in such forward-looking statements. Forward-looking statements may be influenced by the following factors: the level of exploration and development carried on by our customers; crude oil, natural gas and other commodity prices; demand for electricity; weather; availability of capital and financing and government policies. We caution that the foregoing list of factors is not exhaustive and that, when relying on forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors as well as other uncertainties and events. The Company disclaims any intention or obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

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Financial Highlights

Stated in thousands of Canadian dollars except per share amounts

	Three Months Ending			Six Months Ending	
	\$ '000 except per share amounts				
	June 30, 2006	Mar 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Operating Results					
Revenue	1,737	1,733	523	3,470	1,025
Net Loss	1,396	1,162	440	2,558	1,058
Basic and diluted loss per share	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.05)	(\$0.03)
Financial Position					
Working Capital	2,683	3,901	(1,965)	2,683	(1,965)
Total Assets	9,091	10,636	1,390	9,091	1,390
Shareholders' Equity	4,925	6,263	(1,763)	4,925	(1,763)
Non-GAAP Measures					
All Sales Revenues ⁽¹⁾	2,252	1,733	523	3,985	1,025
All Sales EBITDAS ⁽²⁾	(1,041)	(1,018)	(481)	(1,919)	(939)

(1) "All Sales Revenues" means revenues from the sale of all products including those for which the Company has not been able to determine vender specific objective evidence ("VSOE"). Under GAAP and Decision Dynamics' Revenue Recognition policy, before the Company recognizes revenue for a sale, it must be able to determine the sales value for all components of the sale. This can be accurately determined for sales of Wellcore, however, the Company has only recently begun sales of a stand-alone license for Oncore (previously sold as an ASP product) and it will not be able to determine VSOE for each Oncore component until there have been enough sales and maintenance renewals to clearly establish separate values. This is expected to take until the second or third quarter of 2007. The Company believes that the All Sales Revenues number provides a more accurate measure of sales performance than the accounting Revenue number.

For instance, revenue from the sale of a five year Oncore license including the first year of maintenance will be recognized over 60 months. When the maintenance is renewed for the second year, if VSOE has not been established, this maintenance revenue will be recognized over the next 48 months and so on. The difference between the amount invoiced and the amount recognized as revenue is shown as deferred revenue. For example, if the above sale was for \$600,000 (composed of license sale of \$500,000 and 1 year maintenance of \$100,000), then in the first month the company will recognize \$10,000 of revenue and \$590,000 of deferred revenue. Assuming Decision Dynamics prices maintenance as 20% of the license, then under the All Sales non-GAAP measure, the Company would recognize a license sale of \$500,000 plus one month of maintenance, \$8,333 in the first month. When the maintenance is renewed in a year, it would be recognized over the following twelve month period. This is the first quarter where then All Sales Revenue measure would have been different than the GAAP Revenue amount.

(2) "All Sales EBITDAS" means earnings from continuing operations based on revenues determined under the All Sales measure, before interest, taxes, depreciation, amortization and stock compensation.

Readers are cautioned that All Sales Revenues and All Sales EBITDAS do not have a standardized meaning under GAAP, however, the Company believes they are important indicators of success for software businesses and are relevant to readers within the investment community.

Overview

Decision Dynamics Technology Ltd., a public company incorporated under the laws of Canada, has developed enterprise-wide business automation solutions for the process industries. These products provide knowledge capture, workflow management, reporting and analytics and facilitate decision making. The addressable market is the process industries and the Company's current market focus is the energy sector, specifically oil and gas and electrical power. The two product suites are Wellcore for oil and gas well life cycle management and Oncore (formerly TI Suite) for project cost management for capital projects and ongoing capital intensive operations. The Company has also developed X-Core, a patent-pending, fully-integrated end-to-end data modeling and application development system for applications in other process industries.

The Company operates wholly-owned foreign subsidiaries in the United States of America with operations in Denver, Colorado and Houston, Texas.

Strategy and Outlook

The development of the Oncore suite as a stand-alone licensed product greatly increased the Decision Dynamics' sales pipeline of opportunities in Canada and the USA. The sale to Hazco Environmental Services in the first half of the year represented new market penetration for Oncore and with the expected closing of additional sales in the second half, the Company expects Oncore sales to be the highest in the Company's history.

Wellcore Suite 4.1 was completed during the second quarter and is now available for sale. It incorporates significant market driven enhancements including: enhanced web reporting (over 130 reports), expanded US regulatory reporting, and enhanced offshore capability. This is an off-the-shelf product that is fully scaleable and useable anywhere in North America. The new suite also incorporates enhanced modularity, this means that modules can be sold on a stand-alone basis yet are all integrated as companies purchase additional functionality across the enterprise. For example, sales personnel currently have proposals for the Rig Scheduler, Geological Opportunity Inventory and AFE modules. Sale of the individual modules presents an opportunity for later module and/or full enterprise sales. As noted previously, this has been a significant undertaking and has included both development and service personnel resulting in reduced availability of service personnel for customer projects. These people will be available in the second half to increase the Company's service revenues.

At year-end and last quarter, the Company advised that it was increasing its product functionality and sales capability during the first half and accordingly anticipated increases in quarterly losses. With the achievement of those objectives the Company is now positioned to grow sales of all products throughout North America and the rest of the world. Our strategy of building both enterprise and commercial sales forces is generating results as we rapidly build a strong prospect pipeline in the oil and gas industry and the power and utilities markets.

DDyTech Ltd. believes it has sufficient funding to conduct its anticipated operations over the next twelve months; however, if the Company does not achieve the expected levels of sales and profitability then additional funding may be required. With a reasonable growth in sales, the cash on hand after the secured loan should be sufficient to fund the expected growth in working capital and meet all operating requirements during the year. The DDyTech Ltd. team is executing on its key business strategies. The investments made in sales and product development during the first half of 2006 are expected to assist the Company in its movement towards positive All Sales EBITDAS.

Changes in new Applications and Significant Accounting Policies

(a) Basis of presentation

The Company's 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. 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. However, based on the current plans the Company believes it has the financial capacity to meet its operating requirement and to fund the anticipated growth.

(b) Significant accounting policies

The consolidated financial statements for the six and three months ended June 30, 2006 and 2005 include the accounts of the Company and its wholly-owned subsidiaries. All significant 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 consolidated financial statements for the fiscal year ended December 31, 2005.

Results of Operations

	Three Months Ending		Six Months Ending	
	June 30, 2006	Mar 31, 2006	June 30, 2006	June 30, 2005
	\$ '000 except per share amounts			
Revenue	1,737	1,733	3,470	1,025
Expenses	3,031	2,790	5,821	1,964
Loss before the undernoted	(1,294)	(1,057)	(2,351)	(939)
Other Expenses	348	282	630	119
Income tax recovery	(246)	(177)	(423)	-
Net loss for the period	(1,396)	(1,162)	(2,558)	(1,058)
Basic and diluted loss per share	(\$0.03)	(\$0.02)	(\$0.05)	(\$0.03)

Weighted average number of common shares outstanding

51,577	51,530	51,554	37,617
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The three and six months ended June 30, 2005 only include the results of operations for the predecessor company, Time Industrial Inc. the three and six month periods ended June 30, 2006 both include TI plus the two acquired companies.

As shown in the table above, for the first and second quarters of 2006 revenues are relatively flat and expenses have increased by almost 9%. Revenue has increased 239% as compared to the six months ended June 30, 2005 and expenses increased 196% for the six months ended June 30, 2006 compared to the same period in 2005. These significant increases for the six months as compared to the prior year were largely due to the acquisition of Malibu with its ongoing license and service revenues plus a greater number of personnel in sales, operations and development.

	Three Months Ending		Six Months Ending	
	June 30, 2006	Mar 31, 2006	June 30, 2006	June 30, 2005
	\$ '000 except per share amounts			
All sales revenue	2,252	1,733	3,985	1,025
Expenses	3,031	2,790	5,821	1,964
Loss before the undernoted	(779)	(1,057)	(1,836)	(939)
Other Expenses	348	282	630	119
Future income tax recovery	(246)	(177)	(423)	-
Net loss for the period	(881)	(1,162)	(2,043)	(1,058)
Basic and diluted loss per share	(\$0.02)	(\$0.02)	(\$0.04)	(\$0.03)

Weighted average number of common shares outstanding

51,577	51,530	51,554	37,617
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All Sales Revenues for the second quarter increased almost 30% as compared to the three months ended March 31, 2006. Expenses under the all sales method are the same as GAAP expenses.

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 following analysis will compare the second quarter of 2006 with the first quarter of 2006 as these two quarters are generally comparable.

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

Revenue

	Three Months Ending		Six Months Ending	
	\$'000		\$'000	
	June 30,	Mar 31,	June 30,	June 30,
	2006	2006	2006	2005
	GAAP	GAAP	GAAP	GAAP
	Q2	Q1		
License	960	1,046	2,006	387
Services	777	687	1,464	638
Total	<u>1,737</u>	<u>1,733</u>	<u>3,470</u>	<u>1,025</u>

License revenues are down slightly over the first quarter of 2006 while services revenue has a slight increase as there were fewer Oncore pilot projects during Q2 versus Q1. A number of operations staff that were assigned to customer pilot projects and other sales activities in Q1 worked on service activities during Q2.

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. Revenue for both products may be dependent upon customer activity levels (drilling activity for Wellcore and project activity levels (expenditures) for Oncore Suite) plus the timing of the product implementation. Revenue from sales of perpetual licenses, particularly for Wellcore, is recognized once the product has been installed and is ready for use by the customer. As a result there will be some volatility to the Company's revenues from quarter to quarter due to seasonal influences plus the timing of product implementations.

All Sales Revenue

	Three Months Ending		Six Months Ending	
	\$'000		\$'000	
	June 30,	Mar 31,	June 30,	June 30,
	2006	2006	2006	2005
	Q2	Q1		
License	1,475	1,046	2,521	387
Services	777	687	1,464	638
Total	<u>2,252</u>	<u>1,733</u>	<u>3,985</u>	<u>1,025</u>

The 30% Q2 increase in all sales revenue as compared to Q1 is largely due to the Oncore sale to Hazco Environmental Services, a division of CCS Inc.

The Company's revenues are largely dependent upon a small number of customers (7 customers provided 78% of Q2 2006 revenues compared to 76% from 7 customers in Q1). The dependence upon a small number of customers is expected to decline as the Company expands its customer base for both products. During the similar period last year DDyTech derived about 63% of its revenue from USA based customers; however, with the addition of Canadian Oncore Suite and Wellcore sales this year that has been reduced to about 36% of total revenues. With the Company's thrust into the USA, the percentage of sales attributable to US based customers is expected to increase in the future.

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Expenses

	Three Months Ending			Six Months Ending	
	\$ '000			\$ '000	
	June 30, 2006	Mar 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Research and development	855	602	100	1,457	207
Selling and marketing	1,026	766	75	1,792	295
Restructuring costs	-	-	-	-	-
Professional service costs	674	691	153	1,365	327
General and administration (includes stock based compensation costs of \$32,\$38,\$Nil,\$70 and \$Nil)	476	731	675	1,207	1,135
	<u>3,031</u>	<u>2,790</u>	<u>1,003</u>	<u>5,821</u>	<u>1,964</u>

Total expenses are up 9% over last quarter due to the larger service operations and larger sales force. Quarterly expenses increased during the second quarter with the hiring and training of additional personnel in all areas other than in the general and administrative area.

The 42% increase in Research and Development from Q1, 2006 to Q2, 2006 is largely due to increased allocation of personnel to work on Wellcore release 4.1

The 34% increase in sales and marketing costs reflects the increase in staff with a full complement of staff now on board, the allocation of labour costs due to sales support and expenditures on the new product positioning program.

Professional service organization ("PSO") costs have remained relatively unchanged although additional personnel have been hired in this area. However, significant allocations to product development and sales support has resulted in no change in Q2 as compared to Q1. DDyTech continues to increase its staff in this area in anticipation of higher future sales.

General and administrative costs are 35% lower in the second quarter of 2006 as compared to the first quarter of 2006. This is due to significant accounting and legal costs in Q1 which did not reoccur during Q2 along with a recovery of administration expenses associated with the July 29, 2005 transaction. Q2 G&A is about 27% of Q2 sales (21% of all sales revenue) which is down from 42% of sales in Q1. The largest components of general and administrative expenses are salaries and occupancy costs which are relatively fixed and will not increase with a growth in sales. Accordingly G&A as a percentage of sales should decline as the anticipated future sales growth materializes.

Amortization and Other Expenses

	Three Months Ending			Six Months Ending	
	\$ '000			\$ '000	
	June 30, 2006	Mar 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Amortization of property and equipment	60	48	24	108	39
Amortization of intangible assets	125	125	-	250	-
Foreign exchange gain (loss)	68	(16)	1	52	2
Interest income	(29)	(11)	(1)	(40)	-
Interest expense	124	136	(65)	260	79
	<u>348</u>	<u>282</u>	<u>(41)</u>	<u>630</u>	<u>120</u>

Amortization of property and equipment has increased 25% over Q1 as significant asset additions were made in the U.S. along with the additional computers and related equipment purchased for new employees and to upgrade the capability of Company systems. This increased value has offset the decrease for the amortization recorded during the previous period.

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The acquisition of Malibu resulted in the addition of approximately \$1.7 million of intangible assets including values assigned to the intellectual property (technology, trade name and maintenance contracts) and about \$1.8 million of goodwill. The intangible assets are being amortized over their expected useful lives (generally from 36 to 41 months).

The significant differences in foreign exchange from quarter to quarter and from last year to this year result from the extensive fluctuations in the Canadian and United States dollar exchange rates. Foreign exchange differences arise from differences in the rate when the Company records sales to US customers and the rate when the accounts receivable are paid plus differences arising from the conversion of assets owned by the Company's US subsidiaries from US dollars to Canadian dollars. About 36% of the Company's revenues for the six months were from US customers. With the Company's focus on increasing sales in the United States, the percentage of US dollar denominated business is expected to increase. Foreign exchange fluctuations therefore will continue and may increase substantially over those shown for the prior quarters.

The Company invests surplus funds not immediately required for operations and these generate small amounts of interest income. This has increased in 2006 with the additional funds acquired from the secured borrowing completed during the first quarter.

Interest expense is primarily due to funds borrowed during the first quarter of 2006. The 9% decrease is mainly due to the debt repayments during the quarter.

Income taxes

The deferred financing costs largely resulted from the issuance of warrants pursuant to the long-term debt issued in the first quarter. As these are not deductible for tax purposes, the Company recognized a reduction in future tax liabilities offset by the recognition of an equivalent amount of future income tax recoveries.

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 tax recovery of \$246,000 has been recorded for the period ended June 30, 2006.

Net loss

	Three Months Ending			Six Months Ending	
	June 30, 2006	Mar 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Net loss	(1,396)	(1,162)	(440)	(2,558)	(798)
Basic and diluted loss per share	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.05)	(\$0.02)

The net loss for the quarter increased over the prior quarters due to the significant increase in personnel toward the end of the fourth quarter of 2005 and continuing during the first half of 2006.

All Sales EBITDAS

	Three Months Ending			Six Months Ending	
	June 30, 2006	Mar 31, 2006	June 30, 2005	June 30, 2006	June 30, 2005
All Sales EBITDAS	(1,556)	(878)	(554)	(2,434)	(554)

The negative All Sales EBITDAS increased over the prior quarters due to the significant investment in building a team capable of supporting the corporate objectives for 2006 and beyond.

Quarterly results

The acquisition of Malibu has changed the Company's operations substantially and historical results may not be indicative of future results. Following are the results for the three month periods ending (in thousands of Canadian dollars except per share amounts):

	June 30, 06	June 30, 06	Mar. 31, 06	Dec. 31, 05	Sept. 30, 05	Jun. 30, 05	Mar. 31, 05	Dec. 31, 04	Sept. 30, 04
	All Sales	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP
Revenue	2,252	1,737	1,733	1,837	1,266	523	502	250	199
Net Loss	881	1,396	1,162	798	1,455	440	618	743	1,183
Loss per share	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.03)

Liquidity and capital resources

Working Capital

The table below shows the major items affecting working capital over the quarter. Working capital has changed during the six month period as follows:

	\$ '000
Working capital December 31, 2005	3,777
Issue of long-term debt	2,281
Repayment of long-term debt	(312)
Issue of shares	60
Used in operations	(2,821)
Purchase of assets	(302)
Working capital June 30, 2006	<u>2,683</u>

Five customers provide 68% of the accounts receivable at June 30, 2006 compared to 67% attributable to five customers at March 31, 2006.

Capital requirements

During the first quarter of the year DDyTech Ltd. closed a US \$4.0 million secured loan from a Canadian specialty finance company. The Company drew down US\$2.0 million during the first quarter 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.

DDyTech Ltd. believes it has sufficient funding to conduct its anticipated operations over the next twelve months; however, if the Company does not achieve the expected levels of sales and profitability then additional funding may be required.

Share Capital

As at June 30, 2006 DDyTech Ltd. had 51,625,240 shares outstanding with a book value of \$25,529,130.

Financial Risks

The sale of software and services is subject to business risks and quarterly fluctuation due to factors such as customer demand for products, the size and timing of customer orders and the timing of revenue recognition for those orders, progress on implementation projects, the number, timing and significance of new product announcements by DDyTech Ltd. and its competitors, our ability to develop, introduce and market new and enhanced versions of our products on a timely basis, the level of product and price competition, changes in operating expenses and general economic factors such as foreign exchange rates, commodity prices, and so on. A significant portion of our expenses are based on our expectations of future revenue and, therefore, are relatively fixed in the short-term (for example hiring additional employees and leasing space). Accordingly, if revenue levels are below our expectations, our operating results are likely to be adversely affected. Also, under the Company's revenue recognition policy service work and license sales might not be recognized in the same period in which the work is performed as the Company might not have customer acceptance or may not be able to precisely determine revenues as required by DDyTech Ltd.'s revenue recognition policy and by Canadian generally accepted accounting principles. As a result, we believe that period-to-period comparisons of our results of operations are not necessarily meaningful and should not be relied upon as any indication of future performance. The sale of software and services is also subject to a number of business risks including: the Company's ability to manage significant growth in customers and staff, ability to attract and retain highly skilled technical, managerial and sales personnel and ability to protect its intellectual property.