



Interim Financial Statements

For the Three and Nine Month Periods Ended September 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 three and nine month periods ended September 30, 2006 and 2005

Management's Report

The accompanying unaudited interim consolidated financial statements of Decision Dynamics Technology Ltd. ("DDyTech Ltd.") for the three and nine months ended September 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.

November 22, 2006

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

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

Decision Dynamics Technology Ltd.

Consolidated Balance Sheets

(Unaudited)

	September 30, 2006	December 31, 2005
ASSETS		
Current		
Cash and cash equivalents	\$1,203,760	\$3,124,281
Accounts receivable	1,612,771	1,405,250
Income taxes receivable	471,738	215,149
Work in progress	367,686	223,398
Prepaid expenses	372,189	352,891
	<u>4,028,144</u>	<u>5,320,969</u>
Deferred financing costs (note 3)	478,014	-
Property and equipment	831,082	535,561
Intellectual property and other assets	1,084,979	1,460,342
Goodwill	1,778,177	1,778,177
	<u>\$8,200,396</u>	<u>\$9,095,049</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$1,143,781	\$910,439
Deferred revenue	973,269	620,749
Current portion of lease	4,570	12,550
Current portion of long-term debt (note 3)	714,298	-
	<u>2,835,918</u>	<u>1,543,738</u>
Deferred revenue	582,871	313,138
Future tax liability	-	246,000
Long-term debt (note 3)	1,048,212	-
	<u>4,467,001</u>	<u>2,102,876</u>
Shareholders' Equity		
Capital stock (note 4)	25,529,130	25,469,448
Contributed surplus (note 4)	1,219,285	732,725
Deficit	(23,015,020)	(19,210,000)
	<u>3,733,395</u>	<u>6,992,173</u>
	<u>\$8,200,396</u>	<u>\$9,095,049</u>

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			Nine Months Ending	
	Sept 30, 2006	June 30, 2006 (note 1)	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
Revenue	\$1,864,812	\$1,737,089	\$1,266,139	\$5,335,136	\$2,291,063
Expenses					
Research and development	383,944	854,935	193,581	1,840,993	400,157
Selling and marketing	1,028,739	1,026,768	559,031	2,820,985	854,204
Restructuring costs	-	-	365,536	-	365,536
Professional service costs	770,407	673,700	603,264	2,135,310	930,585
General and administration	627,260	476,265	771,936	1,834,488	1,906,526
	<u>2,810,350</u>	<u>3,031,668</u>	<u>2,493,348</u>	<u>8,631,776</u>	<u>4,457,008</u>
Loss before the undernoted	(945,538)	(1,294,579)	(1,227,209)	(3,296,640)	(2,165,945)
Amortization of property and equipment	76,504	60,333	33,608	184,386	72,555
Amortization of intangible assets	125,121	125,121	178,625	375,363	178,625
Foreign exchange loss	1,407	67,851	6,512	53,495	8,032
Interest income	(27,898)	(30,039)	(376)	(68,463)	(682)
Interest expense (note 3)	126,383	124,125	9,301	386,697	88,105
	<u>(1,247,055)</u>	<u>(1,641,970)</u>	<u>(1,454,879)</u>	<u>(4,228,118)</u>	<u>(2,512,580)</u>
Net loss before income taxes	(1,247,055)	(1,641,970)	(1,454,879)	(4,228,118)	(2,512,580)
Future income tax recovery (note 5)	-	(246,000)	-	(423,098)	-
	<u>(1,247,055)</u>	<u>(1,395,970)</u>	<u>(1,454,879)</u>	<u>(3,805,020)</u>	<u>(2,512,580)</u>
Net loss for the period	(1,247,055)	(1,395,970)	(1,454,879)	(3,805,020)	(2,512,580)
Deficit, beginning of period	(21,767,965)	(20,371,995)	(16,957,141)	(19,210,000)	(15,899,440)
Deficit, end of period	<u>(\$23,015,020)</u>	<u>(\$21,767,965)</u>	<u>(\$18,412,020)</u>	<u>(\$23,015,020)</u>	<u>(\$18,412,020)</u>
Basic and diluted loss per share	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.07)	(\$0.08)
Weighted average number of common shares outstanding	51,625,240	51,576,875	43,605,178	51,577,698	31,851,964

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ending			Nine Months Ending	
	Sept 30, 2006	June 30, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
Cash provided by (used in):					
Operations					
Cash received from customers	\$2,465,696	\$1,772,729	\$1,390,456	\$5,749,868	\$2,289,271
Cash paid to suppliers and employees	(2,942,954)	(3,317,023)	(4,612,977)	(8,612,150)	(4,750,690)
Interest received	27,898	30,039	376	68,463	682
Interest paid	(78,961)	(83,706)	(9,299)	(248,136)	(88,105)
	<u>(528,321)</u>	<u>(1,597,961)</u>	<u>(3,231,444)</u>	<u>(3,041,955)</u>	<u>(2,548,842)</u>
Investing activity					
Cash acquired from LOR Capital	-	-	969,681	-	969,681
Purchase of Malibu founders' shares	-	-	(2,695,000)	-	(2,695,000)
Cash acquired from Malibu	-	-	598,519	-	598,519
Purchase of equipment	(180,835)	(135,731)	(29,214)	(479,907)	(80,086)
Changes in non-cash working capital	41,975	15,531	-	(71,673)	-
	<u>(138,860)</u>	<u>(120,200)</u>	<u>(1,156,014)</u>	<u>(551,580)</u>	<u>(1,206,886)</u>
Financing activities					
Issue of long-term debt	-	-	-	2,281,000	-
Repayment of long-term debt	(159,219)	(157,273)	-	(471,657)	-
Issue of shares net of financing costs	-	14,982	6,499,010	59,682	5,778,045
Deferred financing costs	(5,827)	-	-	(87,701)	-
Payment of capital lease	(2,054)	(3,005)	(1,835)	(7,980)	(1,835)
	<u>(167,100)</u>	<u>(145,296)</u>	<u>6,497,175</u>	<u>1,773,344</u>	<u>5,776,210</u>
Changes in foreign currency					
	<u>(2,869)</u>	<u>(113,224)</u>	<u>-</u>	<u>(100,330)</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	(837,150)	(1,976,681)	2,109,717	(1,920,521)	2,020,482
Cash and cash equivalents, beginning of period	2,040,910	4,017,591	133,791	3,124,281	223,026
Cash and cash equivalents, end of period	<u>\$1,203,760</u>	<u>\$2,040,910</u>	<u>\$2,243,508</u>	<u>\$1,203,760</u>	<u>\$2,243,508</u>

See accompanying notes to the consolidated financial statements.

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

(Unaudited)

Three and nine months ended September 30, 2006

1. Basis of Presentation

These 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 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.

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. Accordingly the Company has included the results from the second quarter of 2006 for comparability.

2. Nature of 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 as shown in the financial statements. The Company has an accumulated deficit of \$23,015,020 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 Company believes that it does not currently meet the criteria required by the lender to enable it to draw down the remaining funds. 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 Decision Dynamics Technology 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 the additional 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 \$87,701 of additional deferred financing costs. The total deferred financing costs of \$614,464 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 nine months ended September 30, 2006 \$45,311 and \$136,450 of deferred financing costs were amortized.

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

(Unaudited)

Three and nine months ended September 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 and September 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
Issued	100,000
Cancelled	(351,241)
Balance, September 30, 2006	8,259,829

	Number	Weighted average exercise price
Decision Dynamics Technology Ltd. options issued to:		
Officers and Directors	6,774,314	0.20
Current employees	1,485,515	0.43
Balance, September 30, 2006	8,259,829	\$0.24

Number outstanding	Weighted remaining contractual life	Weighted average exercise price
6,311,482	5.13 years	0.16
53,059	5.42 years	0.21
250,000	6.08 years	0.31
250,000	6.08 years	0.40
258,000	6.58 years	0.50
333,979	2.67 years	0.51
500,000	4.08 years	0.55
303,309	3.41 years	0.74
8,259,829		0.24

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

(Unaudited)

Three and nine months ended September 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
Employee and director stock options	35,462
Deferred share unit compensation	19,943
Balance, September 30, 2006	\$1,219,285

During the nine month periods ending September 30, 2006 and 2005 \$105,436 (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 three months ending September 30, 2006 is estimated in the amount of \$36,023 at the grant date using the Black-Scholes pricing model based on the following assumptions: a seven year life, volatility factor of 100%, risk free interest rate of 4.20% and no expected dividend yield. The weighted average fair value of the options granted during the third quarter is \$.36.

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.

During the three and nine month periods ending September 30, 2006, 87,818 and 176,585 DSUs have been allocated to directors representing \$19,443 and \$51,818 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 September 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.

Three month revenues by geographic segment	2006	2005
Canada	\$1,018,374	\$985,222
United States	846,438	280,917
Total	\$1,864,812	\$1,266,139

Decision Dynamics Technology Ltd.

Notes to Consolidated Financial Statements

(Unaudited)

Three and nine months ended September 30, 2006

Nine month revenues by geographic segment	2006	2005
Canada	\$3,242,568	\$1,363,705
United States	2,092,568	927,358
Total	\$5,335,136	\$2,291,063

Total assets	2006	2005
Canada	\$7,212,357	\$6,898,747
United States	988,039	2,196,302
Total	\$8,200,396	\$9,095,049

7. Economic dependence

The company received revenue from seven customers for the three and nine month periods ending September 30, 2006 amounting to approximately \$1.6 million and \$4.2 million representing over 83% and 78% of total revenues.

8. Comparative figures

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