



Management Discussion and Analysis

For the Three and Nine Month Periods Ended September 30, 2006 and 2005

**DECISION DYNAMICS TECHNOLOGY LTD.
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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 three and nine months ended September 30, 2006. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2005 and 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.

Decision Dynamics Technology Ltd.
Management Discussion and Analysis

Financial Highlights

Stated in thousands of Canadian dollars except per share amounts

	Three Months Ending			Nine Months Ending	
	Sept 30, 2006	June 30, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
\$ '000 except per share amounts					
Operating Results					
Revenue	1,865	1,737	1,266	5,335	2,291
Net Loss	(1,247)	(1,396)	(1,455)	(3,805)	(2,513)
Basic and diluted loss per share	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.07)	(\$0.08)
Financial Position					
Working Capital	1,192	2,683	4,000	1,192	4,000
Total Assets	8,200	9,091	10,237	8,200	10,237
Shareholders' Equity	3,733	4,925	7,519	3,733	7,519
Non-GAAP Measures					
All Sales Revenues ⁽¹⁾	1,860	2,252	1,266	5,844	2,291
All Sales EBITDAS ⁽²⁾	(915)	(738)	(1,227)	(2,682)	(2,166)

(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.

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 and may not be comparable to other entities in the industry, 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.

Subsequent to the end of the quarter, the Company appointed the Chief Operating Officer, Justin Zinke as President and Chief Executive Officer. He succeeds former President and CEO, Cecil Shewchuk. Mr. Zinke has over twenty five years experience providing engineering services and software solutions to the oil and gas and energy industries. Under his leadership, Decision Dynamics will focus on revenue growth and profitability, further positioning the Company as an industry leader in automated workflow solutions.

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

Strategy and Outlook

During the first half of the year, the Company increased sales and operating staff in anticipation of significant growth in sales. While sales (All Sales Revenues) have grown each quarter this year, revenues have not increased at the anticipated rate. Decision Dynamics has embarked on a program to reduce monthly expenditures to bring them more in line with anticipated sales.

Reduced expenses plus strong sales growth, combined with cash on hand, should provide sufficient cash to enable the Company to conduct its anticipated operations over the next twelve months. However, delays in implementing cost reductions, slower sales growth, lengthening of the sales cycle, and/or economic factors which negatively affect the profitability of the Company's products could result in the Company requiring additional funding to continue operations. Decision Dynamics is considering raising additional equity through private placements. These funds would be used to develop new products, acquire additional technology and increase market penetration in the United States.

As noted last quarter, the development of the Oncore suite as a stand-alone licensed product increased Decision Dynamics' sales pipeline of Oncore opportunities in Canada and the USA. This has already resulted in two major sales, the previously announced sale to an environmental services company in the first half and the sale to an engineering services company in October. The latter sale represents the first market penetration into the Alberta oil sands for Oncore. Sales of Oncore are already the highest in the Company's history with the sales team continuing to pursue numerous new opportunities, some of which may close during the fourth quarter.

During the quarter the Company began repositioning the Wellcore suite to emphasize the well life cycle management capabilities, the integration and collaboration engine and the stand-alone drilling operations modules. This has already taken the Company into a number of new opportunities and is expected to enhance the competitive range of our products.

With the new release of Wellcore last quarter, the commercial sales team has begun to penetrate the US small company market. Decision Dynamics is working with small market customers to leverage the drilling reports and demonstrate the strength and value of both the drilling operations and well life cycle suites.

Decision Dynamics will continue to focus on revenue growth but with an increased focus on the move to profitability. While the Company anticipates continuing losses in the fourth quarter, the investments made in sales and product development during the first part of the year combined with targeted cost reductions in the fourth quarter will 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 \$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. 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 three and nine months ended September 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		Nine Months Ending	
	Sept 30, 2006	June 30, 2006	Sept 30, 2006	Sept 30, 2005
	\$ '000 except per share amounts			
Revenue (GAAP basis)	1,865	1,737	5,335	2,291
Expenses	2,810	3,031	8,632	4,457
Loss before the undernoted	(945)	(1,294)	(3,297)	(2,166)
Other Expenses	302	348	931	347
Income tax recovery	-	(246)	(423)	-
Net loss for the period	(1,247)	(1,396)	(3,805)	(2,513)
Basic and diluted loss per share	(\$0.02)	(\$0.03)	(\$0.07)	(\$0.08)

Weighted average number of common shares outstanding

51,625 51,577 51,578 31,852

The three and nine months ended September 30, 2005 only include the results of operations for the predecessor company, Time Industrial Inc. ("TI") and two months of the acquired companies whereas the three and nine month periods ended September 30, 2006 both include TI plus the two acquired companies. As the Company has experienced losses for all periods, the exercise of 'in-the-money' options and/or warrants would only have an anti-dilutive effect. Therefore, basic and dilutive loss per share is the same for all reported periods.

As shown in the table above, for the third quarter of 2006 revenues have increased by about 7% and expenses have decreased by about 7%. Revenue has increased 133% as compared to the nine months ended September 30, 2005 and expenses increased 94% for the nine months ended September 30, 2006 compared to the same period in 2005. These significant increases for the nine months as compared to the prior year were largely due to the acquisition of Malibu Engineering & Software Ltd. ("Malibu") with its ongoing license and service revenues plus a greater number of personnel in sales, operations and development.

	Three Months Ending		Nine Months Ending	
	Sept 30, 2006	June 30, 2006	Sept 30, 2006	Sept 30, 2005
	\$ '000 except per share amounts			
All Sales Revenue	1,860	2,252	5,844	2,291
Expenses	2,810	3,031	8,632	4,457
Loss before the undernoted	(950)	(779)	(2,788)	(2,166)
Other Expenses	302	348	931	347
Future income tax recovery	-	(246)	(423)	-
Net loss for the period	(1,252)	(881)	(3,296)	(2,513)
Basic and diluted loss per share	(\$0.02)	(\$0.02)	(\$0.06)	(\$0.08)

Weighted average number of common shares outstanding

51,625 51,577 51,578 31,852

All Sales Revenues for the third quarter decreased 17% as compared to the three months ended June 30, 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. Decision Dynamics 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 third quarter of 2006 with the second quarter of 2006 as these two quarters are generally comparable.

Decision Dynamics Technology Ltd.
Management Discussion and Analysis

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

Revenue (GAAP basis)

	Three Months Ending			Nine Months Ending	
	\$'000			\$'000	
	Sept 30, 2006	June 30, 2006	Mar 31, 2006	Sept 30, 2006	Sept 30, 2005
	GAAP	GAAP	GAAP	GAAP	GAAP
	Q3	Q2	Q1		
License	855	960	1,046	2,861	892
Services	1,010	777	687	2,474	1,399
Total	1,865	1,737	1,733	5,335	2,291

License revenues are down 11% over the second quarter of 2006 while services revenue has increased 30%. The increase in service revenues results from an increase in the number of operations staff assigned to chargeable projects. During the first two quarters many of these people had been assigned to customer pilot projects and other sales and development activities which are all non-chargeable.

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.

The Company's revenues (GAAP basis) are largely dependent upon a small number of customers (7 customers provided 78% of revenues for Q3 and Q2 and 76% in Q1). The specific customers did change somewhat from quarter to quarter. The dependence upon a small number of customers is expected to decline as the Company expands its customer base for both products.

During the nine months ending September 30, 2006 and 2005, Decision Dynamics derived about 39% and 41% respectively of its revenue from USA based customers. With the Company's thrust into the USA, the percentage of sales attributable to US based customers is expected to increase in the future.

All Sales Revenue (non-GAAP measure)

	Three Months Ending			Nine Months Ending	
	\$'000			\$'000	
	Sept 30, 2006	June 30, 2006	Mar 31, 2006	Sept 30, 2006	Sept 30, 2005
	Q3	Q2	Q1		
License	850	1,475	1,046	3,370	892
Services	1,010	777	687	2,474	1,399
Total	1,860	2,252	1,733	5,844	2,291

The 42% Q3 decrease in All Sales Revenues for licenses as compared to Q2 is due to the significant Oncore sale to an engineering services company in the second quarter. This was partially offset by the 30% increase in chargeable services during the third quarter of 2006 compared to the second quarter resulting in an overall decline of 17%.

Decision Dynamics Technology Ltd.
Management Discussion and Analysis

Expenses

	Three Months Ending			Nine Months Ending	
	\$ '000 except per share amounts				
	Sept 30, 2006	June 30, 2006	Sept 30, 2005	Sept 30, 2006	June 30, 2005
Research and development	384	855	194	1,841	400
Selling and marketing	1,029	1,026	559	2,821	854
Restructuring costs	-	-	366	-	366
Professional service costs	770	674	603	2,135	931
General and administration (includes stock based compensation costs of \$35,\$32,\$Nil,\$105 and \$Nil)	627	476	772	1,835	1,906
	<u>2,810</u>	<u>3,031</u>	<u>2,494</u>	<u>8,632</u>	<u>4,457</u>

Total expenses are down 7% over last quarter largely due to the recovery of government incentives for research and development expenditures. Quarterly expenses have remained relatively flat when the one time adjustments for Scientific Research and Development ("SRED") (\$272,000) made during the third quarter and for the recovery of administration expenses relating to the July 29, 2005 acquisition (\$155,000) during the second quarter are eliminated.

The 55% decrease in Research and Development from Q2, 2006 to Q3, 2006 is largely due to the recognition of a claim for SRED expenditures which was filed by a predecessor private company. This has now been assessed as filed and the cash reimbursement was received in October.

Sales and marketing costs have remained relatively flat as the Company reached its sales personnel target with only one new salesperson hired during the quarter. About the same amount of labour costs were allocated to sales support during Q3 as during Q2.

Professional service organization ("PSO") costs increased 14% as a result of additional staff and a lower allocation of time to product development in Q3 as compared to Q2.

General and administrative costs are 32% higher in the third quarter of 2006 as compared to the second quarter of 2006. The second quarter was low as a result of the administrative recovery associated with the July 29, 2005 transaction. Other than this adjustment G&A has remained relatively flat over the three quarters of this year. Q3 G&A is about 34% of Q3 sales which is up from the 27% of Q2 sales but 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			Nine Months Ending	
	\$ '000				
	Sept 30, 2006	June 30, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
Amortization of property and equipment	77	60	34	184	73
Amortization of intangible assets	125	125	179	375	179
Foreign exchange gain (loss)	2	68	7	53	8
Interest income	(28)	(29)	-	(68)	(1)
Interest expense	126	124	9	387	88
	<u>302</u>	<u>348</u>	<u>229</u>	<u>931</u>	<u>347</u>

Amortization of property and equipment has increased 28% over Q2 as significant asset additions were made in the U.S. along with the additional computers and related equipment purchased for new employees in Canada and to upgrade the capability of Company hosting systems.

Decision Dynamics Technology Ltd.

Management Discussion and Analysis

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 39% of the Company's revenues for the nine 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.

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 \$177,098 of additional future tax liabilities which was immediately offset to income tax recovery.

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 nine month period ended September 30, 2006.

Net loss

	Three Months Ending				Nine Months Ending	
	Sept 30, 2006	June 30, 2006	March 31, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
Net loss	(1,247)	(1,396)	(1,162)	(1,455)	(3,805)	(2,513)
Basic and diluted loss per share	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.03)	(\$0.07)	(\$0.08)

The net loss for the quarter decreased over the prior quarters due to the recovery for the Scientific Research and Experimental Development expenditures.

All Sales EBITDAS

	Three Months Ending				Nine Months Ending	
	Sept 30, 2006	June 30, 2006	March 31, 2006	Sept 30, 2005	Sept 30, 2006	Sept 30, 2005
All Sales EBITDAS	(915)	(738)	(1,018)	(1,227)	(2,682)	(2,166)

The negative All Sales EBITDAS decreased over the prior quarter as the second quarter included a large sale to an environmental service company while expenses were lower due to the recognition of additional amounts attributable to the SRED claim. The negative All Sales EBITDA's previously reported in the June 30, 2006 management discussion and analysis has been restated as the negative impact of the non-cash working capital items was inadvertently included.

Decision Dynamics Technology Ltd.

Management Discussion and Analysis

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):

	Sept 30, 06	Sept 30, 06	June 30, 06	Mar. 31, 06	Dec. 31, 05	Sept. 30, 05	Jun. 30, 05	Mar. 31, 05	Dec. 31, 04
	All Sales	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP	GAAP
Revenue	1,860	1,865	1,737	1,733	1,837	1,266	523	502	250
Net Loss	1,252	1,247	1,396	1,162	798	1,455	440	618	743
Loss per share	(\$0.02)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.02)

Liquidity and capital resources

Working Capital

The table below shows the major items affecting working capital over the nine month period ending September 30, 2006.

	\$ '000
Working capital December 31, 2005	3,777
Issue of long-term debt	2,281
Repayment of long-term debt	(472)
Issue of shares	60
Used in operations	(3,974)
Purchase of assets	(480)
Working capital September 30, 2006	1,192

Five customers provide 74% of the trade accounts receivable at September 30, 2006 compared to 68% attributable to five customers at June 30, 2006.

Capital requirements

During the first quarter of the year Decision Dynamics received a US\$4.0 million commitment for a secured loan from a Canadian specialty finance company and drew down US\$2.0 million. The Company believes that it does not currently meet the criteria required by the lender to enable it to draw down the remaining funds.

Reduced expenses and strong sales growth, combined with cash on hand, should provide sufficient cash to enable the Company to conduct its anticipated operations over the next twelve months. However, delays in implementing cost reductions, slower sales growth, lengthening of the sales cycle, and/or economic factors which negatively affect the profitability of the Company's products could result in the Company requiring additional funding to continue operations. Decision Dynamics is considering raising additional equity through private placements. These funds would be used to develop new products, acquire additional technology and increase market penetration in the United States.

Share Capital

As at September 30, 2006 Decision Dynamics 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 Decision Dynamics 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 Decision Dynamics' 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.