



Management Discussion and Analysis

For the Three and Twelve Month Periods Ended December 31, 2006 and 2005

**DECISION DYNAMICS TECHNOLOGY LTD.
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March 22, 2007

Management Discussion and Analysis

The Management Discussion and Analysis focuses on key items from the audited Consolidated Financial Statements for Decision Dynamics Technology Ltd. ("Decision Dynamics" or the "Company") for the years ended December 31, 2006 and 2005, and the unaudited Consolidated Financial Statements for Decision Dynamics the three months ended December 31, 2006 and 2005. 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

S'000 except per share amounts	Three months ending			Year Ending		
	Dec. 31, 2006	Dec 31, 2005	Dec 31, 2004	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
Operating Results						
Revenue	2,776	1,837	250	8,111	4,129	1,421
Net Loss	(991)	(798)	(743)	(5,330)	(3,311)	(4,201)
Basic and diluted loss per share	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.10)	(\$0.09)	(\$0.11)
EBITDAS ⁽¹⁾	(400)	(554)	(604)	(3,589)	(2,720)	(3,846)
Financial Position						
Working Capital				(2)	3,777	(181)
Total Assets				7,743	9,095	888
Shareholders' Equity				2,906	6,992	1,206

(1) "EBITDAS" means earnings from continuing operations before interest, taxes, depreciation, amortization, foreign exchange and stock based compensation. It may be derived by subtracting stock compensation expense from the subtotal titles *Loss before the undernoted* on the Statement of Loss and Deficit. Readers are advised that EBITDAS does not have a standardized meaning under GAAP and may not be comparable to other entities in the industry; however, the Company believes it is an important indicator of success for software businesses and is relevant to readers within the investment community.

Overview

On July 29, 2005, Decision Dynamics Technology Ltd. formerly LOR Capital Inc., acquired the issued and outstanding shares of Time Industrial, Inc. ("TI") for Decision Dynamics Technology Ltd. shares and the issued and outstanding shares of Malibu Engineering & Software Ltd. ("Malibu") for cash and Decision Dynamics Technology Ltd. shares.

As a result of the issuance of Decision Dynamics Technology Ltd. shares, the former shareholders of TI constitute a majority of the shareholders of Decision Dynamics Technology Ltd. after the acquisition, owning approximately 54% of Decision Dynamics Technology Ltd. This form of business combination is referred to, for accounting purposes, as a "reverse takeover." Legally, Decision Dynamics Technology Ltd. is regarded as the parent entity; however, in accordance with Canadian generally accepted accounting principles, since the former shareholders of TI control Decision Dynamics Technology Ltd. after the transaction, TI is identified as the acquirer and Decision Dynamics Technology Ltd. and Malibu are treated as the acquirees. Being the acquiring entity, the assets and liabilities of TI are included in the balance sheet at cost and the assets and liabilities of Decision Dynamics Technology Ltd. and Malibu are included at their fair value. The Results of Operations for 2005 include twelve months of operations for TI and the post-acquisition revenues and expenses for Malibu and Decision Dynamics Technology Ltd. for the five months following the acquisition being August to December.

In the following discussion, "DDyTech Ltd." will refer to the legal company, Decision Dynamics Technology Ltd. "DDyTech" or the "Company" will refer to the accounting entity that was TI. References to the financial results of prior years or to the financial results of prior quarters will refer to the financial results of the Company (that is, TI consolidated), not the results of DDyTech Ltd. (formerly LOR Capital Inc.).

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.

During the fourth 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.

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The Company operates a wholly-owned foreign subsidiary in the United States of America with operations in Houston, Texas.

Strategy and Outlook

During the first half of the year, the Company implemented a strategy to increase sales and accelerate new product development by hiring additional staff in both of those areas. Sales have grown each quarter this year and were particularly strong in the fourth quarter. In the fourth quarter of the year Decision Dynamics embarked on a program to reduce monthly expenditures to bring them more in line with sales, and to refocus product development on business operations solution for the energy industry.

As noted in the third quarter report, 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, operating under cash constraints will inhibit the Company's ability to develop strong sales growth in its target markets and equally important it will slow DDY's development of business visibility and operations analytics for the energy industries. Therefore, Decision Dynamics is considering raising a small amount additional equity through private placements. These funds would be used to accelerate new product development, acquisition of complementary technology and to increase market penetration in the United States. This strengthening of the balance sheet should also provide additional assurance to customers and investors of the company's continuing financial viability.

Early in the year, Decision Dynamics completed the development of the Oncore suite as a stand-alone software product. This led to a strong increase in the sales pipeline of Oncore opportunities in Canada and the USA and resulted in several major sales including the sale to an environmental services company in the first half plus sales to a major utility, Ontario Power Generation and a sale to an engineering services company in the second half. Sales of Oncore in 2006 were the highest in the Company's history and the sales team is continuing to pursue numerous new opportunities and build the pipeline for 2007 and beyond.

Following a detailed assessment of the results, the Company has modified its vision and focus:

To become a leading innovative supplier of *Business Visibility* and *Operational Analytics* solutions for the energy industry. To achieve this objective, DDY's solutions will:

- Be differentiated by the use of advanced mathematics based decision support algorithms,
- Leverage the Company's Gold Partner access to Microsoft's technology
- Have a design emphasis on ease of deployment, use maintenance and customer configurability
- Improve customer business decision making capability by providing increased business performance visibility and decision making capability.

In the third 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 taken the Company into a number of new opportunities in both Canada and the USA and has enhanced the competitive range of products.

Decision Dynamics will continue to focus on revenue growth particularly from software licenses and recurring maintenance but with an increased focus on profitability. Operating loss (revenue less expenses) and loss before income tax have improved significantly over the four quarters of 2006. In fact, excluding restructuring costs, Decision Dynamics about broke even on an EBITDAs basis in the fourth quarter. The improvements the Company has made in marketing and sales combined with an overall reduction in costs will assist the Company in its movement towards positive EBITDAs and Net Income.

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 about \$25 million 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.

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The Company's 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; however as noted under Strategy and Outlook, the Company believes that 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.

(b) Revenue recognition

The Company's accounting policy with respect to revenue recognition has not changed; however, in 2005 the acquisition of Malibu resulted in additional types of software revenue. Previously most of the Company's revenue was derived from subscription and service revenues. Revenues now include revenues from perpetual and multi-year license sales, subscriptions, sales of professional services and post contract support revenues including maintenance and problem support.

(c) Future income taxes

The Company uses the asset and liability method of accounting for income taxes. Since the Company is unable to conclusively demonstrate that future tax assets will be recovered before they expire, it has provided a valuation allowance against the potentially unrecoverable amounts.

(d) Intellectual Property

The Company had not recognized any intangible assets prior to the July 29, 2005 acquisitions. Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Costs incurred in the maintenance of the service potential of an intangible asset are expensed as incurred. Intangible assets with finite lives are amortized over their useful lives.

The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Technology rights	Straight line over 41 months
Trade name	Straight line over 41 months
Maintenance contracts	Straight line over 36 months

Results of Operations

\$ '000 except per share amounts	Three Months Ending			Year Ending		
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
Revenue	2,776	1,837	250	8,111	4,128	1,421
Expenses	3,419	2,425	916	12,584	6,882	5,353
Loss before the undernoted	(643)	(588)	(666)	(4,473)	(2,754)	(3,932)
Other (amortization, interest, other)	(348)	(210)	(77)	(1,280)	(557)	(269)
Income tax recovery	-	-	-	423	-	-
Net loss for the period	(991)	(798)	(743)	(5,330)	(3,311)	(4,201)
Basic and diluted loss per share	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.10)	(\$0.09)	(\$0.11)

Weighted average number of common shares outstanding	51,625	51,378	37,617	51,590	36,774	37,617
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The year ended December 31, 2004 only includes the results of operations for the predecessor company, Time Industrial Inc. ("TI"). The year ended December 31, 2005 includes the full year results for TI and five months of the acquired companies whereas the year ended December 31, 2006 includes the full year results for all three companies. The three month period ended December 31, 2004 includes only TI whereas the same period for 2005

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and 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, 2005 revenue increased dramatically over 2004 as a result of the acquisition of Malibu Engineering & Software Ltd. ("Malibu") in July 2005. The continued increase in 2006 was due to the inclusion of an additional seven months of Wellcore sales plus several large sales of Oncore during the year. For the quarterly comparisons the increase of 2005 over 2004 is due to the acquisition and Wellcore sales however, the increase in 2006 compared to 2005 is primarily due to sales of the new Oncore stand-alone suite. Fourth quarter revenues were almost 50% higher than any previous quarter.

Expenses for 2005 increased over 2004 as a result of the acquisition of Malibu Engineering & Software Ltd. ("Malibu") in July 2005. The continued increase in 2006 was due to the inclusion of an additional seven months of Malibu expenses plus the growth in sales and marketing, services and development personnel to support the anticipated growth in sales. For the quarterly comparisons the increase of 2005 over 2004 is due to the acquisition of Malibu. The increase in 2006 compared to 2005 reflects the build-up in personnel in anticipation of significant growth in sales and the need for additional deployment resources. In the fourth quarter the company also embarked on a program to reduce monthly operating expenses to bring them more in line with revenue growth and refocused product development on business operations solutions for the energy industry.

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

Revenue

\$ '000 except per share amounts	Three Months Ending		Year Ending	
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2006	Dec 31, 2005
License	1,980	986	4,841	2,066
Services	796	851	3,270	2,062
Total	<u>2,776</u>	<u>1,837</u>	<u>8,111</u>	<u>4,128</u>

Full year license revenues for 2006 are up 134% over the prior year due to the inclusion of an additional seven months of Wellcore sales plus significant Oncore sales in the fourth quarter. Services have increased due to the increase in service personnel plus more chargeable projects. Service revenues are relatively flat due to a higher allocation of service work to sales and development this year compared to last year. About \$3.3 million of the 2006 revenues were recurring revenues from multi-year contracts and maintenance payments. This information is not available for 2004 as certain definitions and specific information capturing procedures were different than those currently used by the Company.

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 and hosting. Revenue for both products may be dependent upon customer activity levels (drilling activity for Wellcore and project activity levels (expenditures) for Oncore) plus the timing of the product implementation. Revenue from sales of perpetual licenses, particularly for Wellcore, generally is recognized once the product has been delivered, that is, installed and is ready for use by the customer. Service and support revenues generally are recognized as delivered (percentage completion). As a result there will be some volatility in the Company's revenues from quarter to quarter depending upon the timing of the signing of contracts and delivery of software.

The Company's revenues are largely dependent upon a small number of customers (six customers provided 74% of revenues for 2006). The specific customers do 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 year ending December 31, 2006 and 2005, Decision Dynamics derived about 33% and 29% 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.

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Expenses

\$ '000 except per share amounts	Three Months Ending			Year Ending		
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
Research and development	598	260	222	2,439	660	659
Selling and marketing	896	278	232	3,717	1,132	1,296
Restructuring costs	401	179	-	401	545	-
Professional service costs	555	888	149	2,690	1,819	1,460
General and administration (includes stock based compensation costs of \$242,\$33, \$61,\$884,\$33, \$86)	968	820	313	3,337	2,726	1,938
	<u>3,418</u>	<u>2,425</u>	<u>916</u>	<u>12,584</u>	<u>6,882</u>	<u>5,353</u>

Total expenses are up 83% over 2005 due to the inclusion of an additional seven months of operating costs attributable to the Malibu acquisition, growth in operating and sales resulting from new hires this year and greater stock based compensation. The increase from 2004 to 2005 was largely due to the inclusion of five months of operations from the Malibu acquisition. Fourth quarter 2006 expenses are up 37% over the same quarter last year largely due to personnel hired in anticipation of sales growth, restructuring costs, and higher stock based compensation. The higher stock based compensation this year is a result of the valuation of options issued by the Company to replace those issued by Malibu and TI. This resulted in an additional \$712,000 of non cash expense for 2006. Total expenses for Q4 2005 are higher than Q4 2004 as 2005 includes TI plus Malibu whereas only TI operations are included in the 2004 numbers.

The 270% increase in Research and Development for 2006 compared to 2005 is due to the growth in personnel in the product development area plus the inclusion of Malibu personnel for the full year. Expenditures were flat between 2005 and 2004 as the new hiring did not begin until late in the year and the 2005 expense was lower due to the filing of a claim for SRED expenditures by Malibu. The substantial increase in fourth quarter R&D expenditures for 2006 compared to 2005 was due to the hiring program in 2006 referred to above which increased 2006 expenses while 2005 was reduced by the filing of a claim for Scientific Research and Experimental Development Income Tax Credits. There is some overlap between R&D and service personnel competencies. This provides some flexibility to the company in the allocation of personnel to service projects and to new product development. As a result, R&D expenses will vary from quarter to quarter due to allocations of staff during the quarter to or from service projects.

One of the Company's major objectives for the second half of 2005 and the beginning of 2006, was to build a North American sales team in Houston, Denver and Calgary. Sales and support personnel increased from 4 in mid-2005 to over 12 in 2006. Marketing staff and the marketing program was increased as well. As a result 2006 sales and marketing expenses were more than three times the 2005 level of expenditures. This increase also reflects the sales support work done by service personnel for pilots, demonstrations, and other support services. The decrease in full year expenses from 2004 to 2005 reflects the merger and restructuring of the department following the acquisition of Malibu. The changes in the fourth quarter for the three years reflects the impact of the factors noted above for the full year.

Professional service organization ("PSO") costs increased about 48% from 2005 to 2006 and about 25% from 2004 to 2005. PSO revenue increased 59% from 2005 to 2006. These increases are primarily due to the increase in service personnel from 2004 to 2005 as a result of the acquisition of Malibu and from 2005 to 2006 as a result of new hiring. At this early stage of the Company's development, the growth in service revenues is not directly comparable to the growth in service costs. From time-to-time service personnel may work on sales projects or development projects thereby reducing their contribution to service revenues, warranty work does not produce revenues and the level of non-chargeable and administrative tasks will vary throughout the year. For these reasons costs may vary substantially from quarter to quarter. The growth in costs from 2004 to 2005 was largely due to the inclusion of the much larger Malibu service department in 2005; however the decrease to 2006 is due to the other factors noted above that will vary by quarter.

General and administrative costs excluding stock based compensation, were down slightly from 2005 to 2006 but increased by 41% from 2004 to 2005 following the acquisition of Malibu. The slight decrease in 2006 reflects a deliberate effort by the company to maintain or reduce G&A costs. Quarterly expenses reflect this same pattern. The largest components of general and administrative expenses are salaries and occupancy costs which are

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relatively fixed and will not increase with a growth in sales. Cash G&A as a percentage of sales has declined from 65% in 2005 to 30% in 2006. The company believes that this percentage is still too high and expects the percentage to continue to decrease as the anticipated future sales growth materializes.

Amortization and Other Expenses

\$ '000 except per share amounts	Three Months Ending			Year Ending		Dec 31, 2004
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004	Dec 31, 2006	Dec 31, 2005	
Amortization of property and equipment	65	45	19	249	117	69
Amortization of intangible assets	125	30	-	500	209	-
Foreign exchange gain (loss)	53	130	(7)	108	83	(21)
Interest income	(10)	-	-	(78)	(1)	(3)
Interest expense	115	5	66	501	149	224
	348	210	78	1,280	557	269

Amortization of property and equipment has increased 113% over the prior year due to the inclusion of a full year of amortization of the Malibu assets plus the significant asset additions which were made in the U.S., purchase of additional computers and related equipment for new employees in Canada and to upgrade the capability of Company hosting systems.

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 33% of the Company's revenues for the year 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 resulting from the issuance of warrants pursuant to the long-term debt issued in the first quarter are not deductible for tax purposes. As such, the Company recognized \$177,098 of additional future tax liabilities which was immediately offset by previously unrecognized future tax assets and recorded as a future income tax recovery.

During the year, the Company implemented a corporate restructuring plan that resulted in its ability to utilize previously unrecognized future tax assets. As a result, a future tax recovery of \$246,000 was been recorded in the third quarter.

The Company has about \$20.2 million dollars of tax pools available in Canada and the United States to offset income in the respective jurisdictions.

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Net loss

\$ '000 except per share amounts	Three Months Ending			Year Ending		
	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004	Dec 31, 2006	Dec 31, 2005	Dec 31, 2004
EBITDAS	(400)	(554)	(604)	(3,589)	(2,720)	(3,846)
Net loss	(991)	(798)	(743)	(5,330)	(3,311)	(4,201)
Basic and diluted loss per share	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.10)	(\$0.09)	(\$0.11)

The net loss for the quarter was higher than previous fourth quarter due to higher stock based compensation costs. The improvement in EBITDAS is due to strong sales in the fourth quarter of 2006, wherein the company achieved record sales growth, surpassing any previous quarter by nearly 50%. Excluding restructuring costs the Company attained positive EBITDAS for the first time in the fourth quarter of 2006.

Quarterly results

The acquisition of Malibu has changed the Company's operations substantially and historical results may not be indicative of future results. During the fourth quarter, the Company determined that it had not recognized stock based compensation on certain options previously issued. Accordingly the amounts presented for each interim period for 2006 have been adjusted by \$178,000 to reflect the additional stock based compensation. Following are the results for the three month periods ending (in thousands of Canadian dollars except per share amounts):

	Dec. 31, 06	Sept 30, 06 (adjusted)	June 30, 06 (adjusted)	Mar. 31, 06 (adjusted)	Dec. 31, 05	Sept. 30, 05	Jun. 30, 05	Mar. 31, 05	Dec. 31, 04
Revenue	2,776	1,865	1,737	1,733	1,837	1,266	523	502	250
Net Loss	991	1,425	1,574	1,340	798	1,455	440	618	743
Loss per share	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.03)	(\$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 during the year

	\$ '000
Working capital December 31, 2005	3,777
Issue of long-term debt	2,281
Long-term debt payments including interest	(937)
Increase in current portion of long term debt	(756)
Deferred revenue	1,080
Issue of shares	60
Used in operations	(5,008)
Purchase of assets	(499)
Working capital December 31, 2006	(2)

Five customers provide 73% of the trade accounts receivable at December 31, 2006 compared to 78% attributable to five customers at December 31, 2005

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.

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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. This strengthening of the balance sheet also should provide additional assurance to customers and investors of the company's continuing financial viability.

Share Capital

As at March 2, 2007 Decision Dynamics had 51,625,240 shares outstanding with a book value of \$25,529,130.

Related Party Transactions

On August 16, 2006, the Board granted options to a non-management director to purchase 100,000 common shares exercisable at \$0.55.

Disclosure Controls and Procedures

Disclosure Control Risks

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the effectiveness of our disclosure controls and procedures as of the date of this Management Discussion and Analysis, that disclosure controls and procedures provided reasonable assurance that material information is made known to them by others within the Company. Certain weaknesses, however, have been identified and the Company's Chief Executive Officer and Chief Financial Officer do not expect that the disclosure controls and procedures will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control Risks

The Chief Executive Officer and Chief Financial Officer of the Company (the "CEO and CFO") are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The design of our internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis. The weaknesses in the Company's internal controls over financial reporting, discussed below, result in a more than remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors work to mitigate the risk of a material misstatement in financial reports; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

1. Segregation of duties:

Control deficiencies have been identified within the Company's accounting and finance departments and its financial information systems over segregation of duties and inexperience with the Company's financial systems and procedures. Specifically, certain duties within the accounting and finance departments were not properly segregated due to the small number of individuals employed in these areas. In addition, due to turnover and a shortage of qualified personnel, the Company identified instances whereby personnel had the ability to initiate transactions or accounting entries that were not compatible with their level of accounting knowledge and Company procedures. Largely as a result of compensating controls, the Company is confident that none of the segregation of duty or inexperienced personnel weaknesses has resulted in a misstatement to the financial statements. However, these deficiencies may be considered a material weakness as there is a more-than remote likelihood that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected. As the Company grows, we plan to expand the number of individuals involved in the accounting function and to install a more comprehensive accounting system. At the current time, the CEO and CFO oversee all material financial transactions and all disbursements. In addition, there is oversight by the

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senior management of the Company and the Audit Committee reviews the financial statements of the Company on a quarterly basis and queries management about significant transactions.

2. Technical knowledge in specialized areas

On a regular basis, the Company makes the necessary provision for income tax and other tax related expenses. Income tax and ad valorem taxes are a highly technical area that requires an in-depth knowledge and understanding of federal, provincial, state, county and even civic tax laws and the Company's accounting staff has only a fair and reasonable knowledge of the rules related to income and other tax computation, accounting and reporting. Although these have not resulted in a material misstatement of the financial statements, this lack of knowledge represents a material weakness in the Company's control environment as a material error relating to tax accounting or disclosure could go undetected.

To address this risk, the Company consults with its third party expert tax advisors on a regular basis for advice. The Company has reported losses historically and valorem taxes are small.

The Company periodically records complex and non-routine transactions that are extremely technical in nature and require an in-depth understanding of GAAP. The Company's accounting staff has a good but not extensive knowledge of the rules related to GAAP and reporting and the transactions may not be recorded correctly, potentially resulting in material misstatement of the financial statements of the Company.

To address this risk, the Company consults with its third party expert advisors as needed in conjunction with the recording and reporting of complex and non-routine transactions.

The Audit Committee reviews and approves the quarterly and annual results and statements including a review of the results and the procedures involved with estimating amounts and with selecting the appropriate accounting treatment for unusual transactions.

As the Company grows and as needed, we plan to expand the technical tax knowledge and technical accounting knowledge of one or more of the individuals involved in the accounting function.

3. Knowledge of procedures and third party information

In certain cases the Company relies upon timely reporting by third parties. As a high growth company with new and often inexperienced staff and with new and developing procedures, errors and delays in reporting revenues could occur resulting in an understatement of revenues. While senior management reviews all transactions and potential significant transactions regularly, and while the Company is confident that a material understatement of revenues has not occurred, the identification of the mistake may not be recognized on a timely basis and there is a more than remote likelihood that a misstatement of the Company's annual or interim financial statements would not be prevented or detected.

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.