



PRESS RELEASE

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FOR IMMEDIATE RELEASE
May 10, 2006

Digital Dispatch Earns \$475,000 or \$0.04 per Share in the First Quarter

Richmond, BC, May 10, 2006 – Digital Dispatch Systems Inc. (TSX: DD) announces its un-audited first quarter results for the period ending March 31st, 2006. The revenue in Q1 of 2006 was \$6.0 million, as compared to \$5.6 million in Q1 of 2005. Earnings per share in Q1 of 2006 were \$475,000 or \$0.04 per share, as compared to \$83,000 or \$0.01 per share on a fully diluted basis.

“We are pleased with our first quarter results,” said Vari Ghai, President & CEO. “Considering that the first two quarters are slow for the company due to the seasonality in our business, the results are in line with our annual plan described below.”

For a more detailed analysis, please refer to Management’s Discussion and Analysis of Financial Conditions and Results of Operations, which is available on the Company website (www.digital-dispatch.com) and which are filed on SEDAR.

Outlook

Based on current foreign exchange rates, and assuming no current year contribution from “jumbo” contracts (defined by the Company as contracts exceeding \$3.0 million in revenue) or from acquisitions, the Company is projecting 2006 annual revenues to be in the range of \$30 to \$31 million, with the major portion coming in the second half of the year and a slightly weak second quarter. The Company is also transitioning into a recurring revenue and transaction based revenue business with products like Payment Gateway, eFleet, service agreements and debit, credit and in-vehicle advertising revenues. The Company has \$21 million in cash and continues to pursue acquisitions actively and is looking for accretive value, synergy and the ability to leverage its products in new markets.

Conference Call

The company will host a conference call today at 1:30 PM EST to discuss the results. Please call 416-695-7848 or 1-877-888-4483 to participate in the call. A replay of this conference call will also be available until Wednesday, May 17, 2006, by dialing 416-695-5275 or 1-888-509-0081 and entering access code 619102.

Forward-Looking Statements

This press release contains “forward-looking statements”. All statements and other information contained in this press release relative to markets for the Company’s services and products and trends in revenue, gross margin, backlog and anticipated expense levels, as well as other statements about anticipated future events or results constitute forward-looking statements. Forward-looking statements are subject to business and economic risks and uncertainties and other factors, including without limitation the risk factors described in the Company’s Annual Information Form, that could cause actual results of operations to differ materially from those contained in the forward-looking statements. Forward-looking statements are based on estimates and opinions of management at the date the statements are made. Consequently, all forward-looking statements made in this press release are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Corporation will be realized. Digital Dispatch disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

The Toronto Stock Exchange has neither approved nor disapproved the contents of this press release.

About Digital Dispatch Systems Inc.

Digital Dispatch Systems Inc. is a worldwide provider of mobile data solutions for fleet and mobile workforce management. Founded in 1987, we have an installed base of 70,000 wireless mobile data devices and nearly 200 wireless data systems in four continents. We offer products and services to manage vehicle fleets and mobile workforces, including dispatch software, wireless communication infrastructure and a range of in-vehicle mobile devices.

Visit www.digital-dispatch.com for more information.

For further information, please contact

Vari Ghai, CEO and President, investors@digital-dispatch.com

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SEE ATTACHED FINANCIAL STATEMENTS

DIGITAL DISPATCH SYSTEMS INC.

Consolidated Balance Sheets

	March 31, 2006 (Unaudited)	December 31, 2005 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,506,101	\$ 6,770,989
Short-term investments	12,357,445	12,122,610
Accounts receivable	6,481,660	7,173,391
Unbilled receivables	2,211,349	3,457,030
Investment tax credits recoverable	462,354	462,354
Future income taxes recoverable	486,757	564,212
Inventories	2,322,358	3,109,315
Prepaid expenses	326,012	406,988
Current portion of leases receivable	753,932	764,507
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	33,907,968	34,831,396
Capital assets	568,049	549,484
Investment tax credits recoverable	1,919,815	1,849,412
Future income taxes recoverable	1,057,972	1,048,370
Long term leases receivable	692,789	868,921
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	\$ 38,146,593	\$ 39,147,583
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,391,967	\$ 2,044,315
Deferred revenue	1,292,694	2,022,540
Deferred gain	191,076	191,076
Current income tax payable	850,820	740,262
Current portion future income taxes payable	1,131,319	1,253,534
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	4,857,876	6,251,727
Long-term portion of deferred gain	286,615	334,384
Future income taxes payable	831,733	726,296
Shareholders' equity:		
Share capital	20,831,228	20,922,358
Contributed surplus	233,502	195,226
Retained earnings	12,002,253	11,614,206
Cumulative translation adjustments	(896,614)	(896,614)
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	32,170,369	31,835,176
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	\$ 38,146,593	\$ 39,147,583

DIGITAL DISPATCH SYSTEMS INC.

Consolidated Statements of Operations and Retained Earnings
Three months ended March 31, 2006 and 2005

	2006 (Unaudited)	2005 (Unaudited)
Revenue	\$ 6,006,293	\$ 5,627,087
Cost of sales	2,830,600	2,917,527
	3,175,693	2,709,560
Operations expenses:		
Research and development	1,028,915	1,076,663
Sales and marketing	669,000	754,822
General and administrative	827,384	724,296
	2,525,299	2,555,781
Earnings before undernoted	650,394	153,779
Other (income) expense:		
Amortization of capital assets	80,797	75,568
Foreign exchange	(94,289)	(51,127)
Other	(47,769)	(42,708)
Stock compensation	38,276	45,000
	(22,985)	26,733
Earnings before income taxes	673,379	127,046
Income taxes		
Current	137,558	81,250
Future	61,156	(37,658)
	198,714	43,592
Net earnings	474,665	83,454
Retained earnings, beginning of period	11,614,206	10,496,581
Stock repurchase	(86,618)	-
Retained earnings, end of period	\$ 12,002,253	\$ 10,580,035
Earnings per common share		
Basic	\$ 0.04	\$ 0.01
Diluted	\$ 0.04	\$ 0.01

DIGITAL DISPATCH SYSTEMS INC.

Consolidated Statements of Cash Flows
Three months ended March 31, 2006 and 2005

	2006 (Unaudited)	2005 (Unaudited)
Cash provided by (used in):		
Operations:		
Net earnings	474,665	\$ 83,454
Items not involving cash:		
Amortization	80,797	75,568
Future income taxes	61,156	4,770
Amortization of gain on disposition of land and building	(47,769)	(47,769)
Stock compensation	38,276	45,000
	607,125	161,023
Change in non-cash operating working capital:	1,406,728	(471,975)
	2,013,853	(310,952)
Investments:		
(Increase) decrease in short-term investment	(234,835)	7,398,359
Purchase of capital assets	(98,305)	(33,661)
Repayments on lease receivables	190,391	392,569
	(142,749)	7,757,267
Financing:		
Repurchase of share capital	(177,749)	-
	(177,749)	-
Effect of foreign currency exchange rates on cash and cash equivalents	41,757	(23,186)
Increase in cash and cash equivalents	1,735,112	7,423,129
Cash and cash equivalents, beginning of period	6,770,989	9,526,377
Cash and cash equivalents, end of period	\$ 8,506,101	\$ 16,949,506