



PRESS RELEASE

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FOR IMMEDIATE RELEASE
August 13, 2008

DDS Wireless Realizes Significant Growth through Successful Integration of Acquisitions Q2 Revenues of \$8.2 million up 17% from Q1

Richmond, BC, August 13, 2008 – DDS Wireless International Inc. (TSX: DD), a leading provider of mobile data solutions, today released unaudited financial results for the second quarter and six months ended June 30, 2008. All financial information is expressed in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") except where noted specifically.

EBITDAS is a non-GAAP financial measure and the Company defines it as Earnings before interest, taxes, depreciation which includes depreciation of fixed assets charged to Cost of Sales ("COS"), amortization and stock compensation expenses. EBITDAS for the second quarter was \$60,000 and for the six months ending June 30th 2008 was \$99,000. Due to the acquisitions of MobiSoft and StrataGen in 2007 there is \$1,207,181 of amortization pertaining to acquired intellectual property and therefore EBITDAS is being provided to evaluate the Company's cash earnings. EBITDAS for the first quarter of 2008 and the second quarter of 2007 were \$39,000 and (\$1.5 million) respectively.

The Company's revenue grew 86% to \$15.2 million for the first half of 2008 compared to \$8.2 million in the same period in 2007, reflecting both the revenue contributions from the acquisition of MobiSoft and StrataGen in Q4 of 2007, and organic growth since closing the acquisitions.

"We are pleased with the turn around in our financials compared to last year. The Company has a long history of profitability and growth and we are committed to pursuing these goals for the rest of 2008 and subsequent years" stated Vari Ghai, CEO of the Company.

Total revenues for the three months ended June 30, 2008 were \$8.2 million compared with total revenues of \$7.0 million in the three months ended March 31, 2008 and \$4.3 million for the same period in the prior year. The Company experienced overall gross margin of 48% for the three months ended June 30, 2008 compared with a gross margin of 45% and 50% for the three months ended March 31, 2008 and June 30, 2007, respectively. Total operating expenses were \$4.1 million for the three months ended June 30, 2008 compared with \$3.5 million for the three months ended March 31, 2008 and \$2.8 million in the same period of the prior year. The increase over the prior quarter is attributable to an increase in R&D costs in Finland to localize the TaxiBook application for North American markets. The increase over the prior year is primarily accounted for by the addition of the operating expenses of the MobiSoft and StrataGen operations which were acquired late in 2007. For the three months ended June 30, 2008, the Company reported a net loss of \$602,000 or (\$0.04) per share compared to net loss of \$646,000 or (\$0.05) per share and net loss of \$1,196,000 or (\$0.10) per share for the three months ended March 31, 2008 and June 30, 2007, respectively.

Total revenues for the six months ended June 30, 2008 were \$15.2 million compared with total revenues of \$8.2 million for the same period in the prior year. The Company earned an overall gross margin of

47% for the six months ended June 30, 2008 compared with a gross margin of 51% for the six months ended June 30, 2007. Total operating expenses were \$7.6 million for the six months ended June 30, 2008 compared with \$5.3 million for the same period of the prior year. For the six months ended June 30, 2008, the Company reported a net loss of \$1.2 million or (\$0.09) per share compared to net loss of \$1.8 million or (\$0.15) per share for the six months ended June 30, 2007.

The Company had \$894,000 drawn on its \$4.2 million line of credit facilities, and 13,789,746 shares outstanding as at June 30, 2008.

2008 Revenue Guidance

The Company has reduced its guidance for fiscal 2008 revenues to between \$33 million and \$34 million, from the \$36 to \$38 million previously affirmed on May 14, 2008. The adjustment of our guidance is primarily due to the timing of execution or implementation of certain contracts and due to an economic slow down in the USA.

"While we are pleased to report strong revenue growth and excellent progress on our product and geographic diversification strategy, we are disappointed to have to curtail our revenue guidance for the 2008 fiscal year. The Company is still expected to deliver very strong revenue growth of over 60% for the 2008 fiscal year, and we remain excited about our future prospects for business growth and will continue to be active in our pursuit of acquisition opportunities to further enhance future shareholder value" said Mr. Jim Zadra, the newly appointed CFO of the Company.

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.ddswireless.com) and on SEDAR.

Conference Call

The Company will host a conference call at 5:00 PM EST on Wednesday, August 13, 2008 to discuss the financial results. Please call 416-641-6142 or 1-866-300-7687 to participate in the call. A replay of this conference call will be available until August 21, 2008 by dialing 416-695-5800 or 1-800-408-3053 and entering access code 3260464.

Forward-Looking Statements

This press release contains statements which, to the extent that they are not recitations of historical fact, may constitute forward-looking information. Such forward-looking statements may include financial and other projections as well as statements regarding the Company's future plans, market opportunities, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the need to develop, integrate and deploy applications to meet our customer's requirements; the possibility of development or deployment difficulties or delays; the dependence on our customer's satisfaction with DDS Wireless' products; our customers' continued commitment to the deployment of our solutions; the risks involved in developing integrated software and hardware solutions and integrating them with third-party communication and other services; the performance of the global economy and growth in software industry sales; market acceptance of the company's products and services; customer and industry analyst perception of the company and its technology vision and future prospects; the success of certain business combinations engaged in by the Company or by competitors; political unrest or acts of war; possible disruptive effects of organizational or personnel changes; technological change, new products and standards; risks related to acquisitions and international expansion; reliance on large customers; concentration of sales; international operations and sales; management of growth and expansion; dependence upon key personnel and hiring; reliance on a limited number of suppliers; industry growth; competition; intellectual property; product defects and product liability; currency exchange rate risk; concentration of ownership; and including but not limited to other factors described in DDS Wireless' reports filed on Sedar, including its Annual Information Form and financial report for the year ended December 31, 2007. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. 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 Company will be realized. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

About DDS Wireless International Inc.

DDS Wireless International Inc. is a global leader in providing application software for multiple vertical markets within the transportation industry. The Company specializes in transit routing and scheduling, real-time dispatching, vehicle location and tracking software applications, communications infrastructure as well as in-vehicle wireless devices. DDS Wireless operates four businesses dedicated for Transit, Taxi, Limousines and Work Truck, and Wireless Devices and Communication Infrastructure. The Company supports its customers worldwide through its offices in Canada, Finland, Singapore, Sweden, U.K. and U.S.A.

Visit www.ddswireless.com for more information.

For further information, please contact:

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SEE ATTACHED FINANCIAL STATEMENTS



DDS WIRELESS INTERNATIONAL INC.

Consolidated Financial Statements

For the three and six months ended June 30, 2008

NOTICE TO NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indication that financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

“Jim Zadra”

Jim Zadra
CFO
August 13, 2008

Consolidated Financial Statements of

DDS WIRELESS INTERNATIONAL INC.

For the three and six months ended June 30, 2008 and 2007

DDS WIRELESS INTERNATIONAL INC.

Consolidated Balance Sheets

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,018	\$ 1,075,203
Accounts receivable	7,683,667	7,473,503
Unbilled receivables	3,730,234	3,326,299
Income taxes receivable	14,529	147,601
Future income taxes	22,335	76,100
Inventories	2,760,617	2,917,686
Prepaid expenses	922,422	620,444
Current portion of leases receivable (note 6)	345,265	475,377
	15,500,087	16,112,213
Plant and equipment (note 4)	3,002,985	2,660,921
Investments	98,577	-
Long-term leases receivable (note 6)	1,612,280	1,784,818
Future income taxes	4,733,028	3,933,562
Acquired intangibles (note 5)	9,803,819	11,011,000
Goodwill	3,329,000	3,329,000
	\$ 38,079,776	\$ 38,831,514
Liabilities and Shareholders' Equity		
Current liabilities:		
Line of credit (note 7)	\$ 894,283	\$ 1,255,954
Deferred acquisition costs payable	2,398,461	4,097,802
Accounts payable and accrued liabilities	3,999,658	4,527,892
Future income taxes	759,235	820,761
Deferred revenue	2,953,433	1,459,894
Deferred gain (note 9)	47,769	143,308
Current portion of long-term debt (note 8)	174,811	144,193
	11,227,650	12,449,804
Long-term portion of debt (note 8)	500,422	506,053
Future income taxes long-term	964,444	1,139,849
	12,692,516	14,095,706
Shareholders' equity:		
Share capital (note 10)	24,608,246	22,836,687
Contributed surplus (note 10)	717,755	660,231
Retained earnings	858,846	2,106,161
Accumulated other comprehensive loss	(797,587)	(867,271)
	25,387,260	24,735,808
	\$ 38,079,776	\$ 38,831,514

See accompanying notes to consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Consolidated Statements of Operations

	Three months ended		Six months ended	
	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Revenue (note 14)	\$ 8,215,978	\$ 4,328,885	\$ 15,216,978	\$ 8,184,575
Cost of sales				
Sales related expenses	4,135,587	2,176,555	7,837,618	4,037,623
Amortization of sales related assets	104,012	-	227,561	-
Total cost of sales	4,239,599	2,176,555	8,065,179	4,037,623
Gross margin	3,976,379	2,152,330	7,151,799	4,146,952
Operations expenses:				
Research and development	1,697,686	968,270	2,968,133	1,928,022
Sales and marketing	1,076,668	1,127,552	2,014,971	2,038,425
General and administrative	1,334,941	681,663	2,612,782	1,359,225
	4,109,295	2,777,485	7,595,886	5,325,672
Loss before under noted	(132,916)	(625,155)	(444,087)	(1,178,720)
Other (income) expense:				
Amortization of plant and equipment	88,510	73,455	232,446	142,945
Amortization of acquired intangibles (note 6)	574,181	-	1,207,181	-
Foreign exchange	(40,855)	962,267	(219,625)	1,094,889
Stock compensation (note 10)	23,984	75,000	57,524	150,000
Other (note 9)	(13,284)	(37,208)	(54,880)	(84,384)
	632,536	1,073,514	1,222,646	1,303,450
Loss before income taxes	(765,452)	(1,698,669)	(1,666,733)	(2,482,170)
Income taxes				
Current (recovery)	234,981	(221,012)	563,214	(439,669)
Future (recovery)	(398,672)	(281,464)	(982,632)	(272,637)
	(163,691)	(502,476)	(419,418)	(712,306)
Net loss	(601,761)	(1,196,193)	(1,247,315)	(1,769,864)
(Loss) earnings per common share (note 11):				
Basic	\$ (0.04)	\$ (0.10)	\$ (0.09)	\$ (0.15)
Diluted	\$ (0.04)	\$ (0.10)	\$ (0.09)	\$ (0.15)

DDS WIRELESS INTERNATIONAL INC.

Consolidated Statements of Comprehensive loss

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net loss	\$ (601,761)	\$ (1,196,193)	\$ (1,247,315)	\$ (1,769,864)
Other Comprehensive (Loss) Income and Unrealized gain on translation of self-sustaining foreign operations	18,965	-	69,684	-
Comprehensive (Loss) Income	\$ (582,796)	\$ (1,196,193)	\$ (1,177,631)	\$ (1,769,864)

Consolidated Statements of Changes in Retained Earnings and Accumulated Other Comprehensive loss

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Retained Earnings				
Beginning of period	\$ 1,460,607	\$ 4,893,759	\$ 2,106,161	\$ 5,467,430
Net (loss) earnings	(601,761)	(1,196,193)	(1,247,315)	(1,769,864)
End of period	858,846	3,697,566	858,846	3,697,566
Accumulated Other Comprehensive Loss on translation of Self-sustaining Foreign Operations				
Beginning of period	(816,552)	(896,614)	(867,271)	(896,614)
Net unrealized gain on translation of self-sustaining foreign operations in the year	18,965	-	69,684	-
	(797,587)	(896,614)	(797,587)	(896,614)
Total Retained Earnings and Accumulated Other Comprehensive Loss	\$ 61,259	\$ 2,800,952	\$ 61,259	\$ 2,800,952

See accompanying notes to consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Cash provided by (used in):				
Operations:				
Net (loss) earnings	\$ (601,761)	\$ (1,196,193)	\$ (1,247,315)	\$ (1,769,864)
Items not involving cash:				
Amortization of plant and equipment	192,522	73,455	460,007	142,945
Amortization of acquired intangibles	574,181	-	1,207,181	-
Future income taxes	(398,672)	(281,464)	(982,632)	(272,637)
Unrealized foreign exchange gain	-	305,205	-	305,205
Amortization of gain on disposition property	(47,769)	(47,769)	(95,539)	(95,538)
Loss on disposal of asset		10,892		10,892
Stock compensation	23,984	75,000	57,524	150,000
	(257,515)	(1,060,874)	(600,774)	(1,528,997)
Change in non-cash operating working capital	(627,657)	346,347	468,455	514,261
	(885,172)	(714,527)	(132,319)	(1,014,736)
Investing:				
Increase (decrease) due to short-term investment	-	(2,544,955)	-	(2,810,527)
Purchase of plant and equipment	(338,883)	(125,504)	(802,071)	(325,561)
Investment	(98,577)	-	(98,577)	-
Acquisitions, net of cash and cash equivalents	-	-	87,315	-
Repayments of lease receivables	142,819	326,258	302,650	603,697
	(294,641)	(2,344,201)	(510,683)	(2,532,391)
Financing:				
Decrease in long term debt	(49,512)	-	(49,512)	-
Increase (decrease) in line of credit	564,283	-	(361,671)	-
	514,771	-	(411,183)	-
Effect of foreign currency exchange rates on cash & cash equivalents	-	(628,723)	-	(628,723)
Decrease in cash and cash equivalents	(665,042)	(3,687,451)	(1,054,185)	(4,175,850)
Cash and cash equivalents, beginning of period	686,060	6,224,387	1,075,203	6,712,786
Cash and cash equivalents, end of period	\$ 21,018	\$ 2,536,936	\$ 21,018	\$ 2,536,936

See accompanying notes to consolidated financial statements.

DDS WIRELESS INTERNATIONAL INC.

1. Nature of operations:

DDS Wireless International Inc. (the "Company") operates in the wireless mobile data industry and is engaged in the design, development and deployment of turnkey solutions including application software, mobile devices, infrastructure products, project implementation services and maintenance.

The Company is incorporated under the laws of the Province of British Columbia and is listed on the Toronto Stock Exchange under the symbol DD.

The Company changed its name to DDS Wireless International Inc. from Digital Dispatch Systems Inc. on March 4, 2008.

2. Consolidated financial statement presentation:

These interim financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim financial statements should be read in conjunction with the Company's audited financial statements as at and for the year ended December 31, 2007.

3. Significant accounting policies:

These interim financial statements follow the same accounting policies and methods of application used in the Company's audited financial statements as at and for the year ended December 31, 2007 with the exception of the following:

(i) Inventories

Commencing with the Company's 2008 fiscal year, the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") for accounting for inventories (CICA Handbook section 3031) will apply to the Company. Under the new requirements, inventory must be valued at the lower of cost and net realizable value with any write-down reversed (to the extent of the original write-down) if circumstances change in subsequent periods. The new section also enhances guidance regarding the definition of cost and disclosure costs. The Company has commenced application of this section as of January 1, 2008.

(ii) Capital Disclosures

Commencing with the Company's 2008 fiscal year, the new recommendations of the CICA for capital disclosures (CICA Handbook Section 1535) will apply to the Company. This section will require quantitative and qualitative disclosure in the footnotes to the financial statements about the Company's capital requirements and objectives. The Company has commenced application of this section as of January 1, 2008.

(iii) Presentation and Disclosure of Financial Instruments

Commencing with the Company's 2008 fiscal year, the new presentation and disclosure recommendations of the CICA for financial instruments (CICA Handbook Section 3862 and 3863) will apply to the Company. These new recommendations increase the disclosure of the nature and extent of risks arising from financial instruments and how the Company manages those risks. The Company has commenced application of these sections as of January 1, 2008.

DDS WIRELESS INTERNATIONAL INC.

4. Plant and equipment:

June 30, 2008		Cost	Accumulated amortization	Net book value
Furniture	\$	2,580,116	\$ 2,336,439	\$ 243,677
Computer equipment and software		7,965,890	5,369,425	2,596,465
Intellectual property		80,585	80,585	-
Leasehold improvements		299,267	136,424	162,843
	\$	10,925,858	\$ 7,922,873	\$ 3,002,985

December 31, 2007		Cost	Accumulated amortization	Net book value
Furniture	\$	2,763,885	\$ 2,480,146	\$ 283,739
Computer equipment and software		6,751,136	4,540,695	2,210,441
Intellectual property		80,585	80,585	-
Leasehold improvements		281,810	115,069	166,741
	\$	9,877,416	\$ 7,216,495	\$ 2,660,921

5. Intangibles:

			June 30, 2008	June 30 2008
	Estimated useful life	Cost	Accumulated amortization	Net book value
Acquired software	6	\$ 7,143,000	\$ 912,181	\$ 6,230,819
Customer relationships	6	1,998,000	114,000	1,884,000
Trademarks and brand	4	239,000	135,000	104,000
Non-compete agreements	3 to 5	479,000	56,000	423,000
Dispatch service agreements	2.5	1,115,000	362,000	753,000
Patent portfolio	6	317,000	8,000	309,000
Customer obligations	1	168,000	68,000	100,000
		\$ 11,459,000	\$ 1,665,181	\$ 9,803,819

DDS WIRELESS INTERNATIONAL INC.

6. Leases receivable:

	June 30, 2008	December 31, 2007
Leases receivable	\$ 2,318,480	\$ 2,701,040
Less unearned finance income	360,935	440,845
Net leases receivable	1,957,545	2,260,195
Current portion	345,265	475,377
	\$ 1,612,280	\$ 1,784,818

Future minimum lease payments receivable are as follows as at June 30, 2008:

Six months ending December 31, 2008	\$ 232,228
Year ending December 31, 2009	486,308
Year ending December 31, 2010	502,344
Year ending December 31, 2011	538,344
Year ending December 31, 2012	525,739
Thereafter	33,517
	\$ 2,318,480

7. Line of credit:

On November 9, 2007 the Company increased its line of credit to \$4.0 million which bears interest at prime plus 0.5%. The Company is the beneficiary of a guarantee provided by Viksun Enterprise Inc., a company controlled by the Company's Chief Executive Officer in the amount of \$2.0 million with the remainder of the line of credit secured by all the assets of the Company. As at June 30, 2008, the Company had \$894,283 (December 31, 2007 – \$1,255,954) on this line of credit.

The Company's subsidiary, Mobisoft, has an undrawn \$240,615 (€150,000) operating line of credit available as at June 30, 2008, which bears interest at one month Euribor rate plus 1%. It is secured by way of a General Securities Agreement of Mobisoft and requires Mobisoft to maintain certain bank covenants.

8. Long term debt:

The Company assumed long term debt through its acquisition of Mobisoft as follows:

- (a) A loan with the Nordea Bank for the purchase of the Telia Sonera business secured by the assets of Mobisoft consisting of the net dispatch service call fees payable by Telia Sonera. The loan bears an interest rate of 4.86% with the balance as at June 30, 2008 of \$178,957 (€111,563). The loan has a four year term expiring March 15, 2010 with monthly payments of \$8,630 (€5,313) excluding interest.

DDS WIRELESS INTERNATIONAL INC.

8. Long term debt (continued):

(b) The Company has unsecured government loans with the State Treasury of Finland for the development of specific products totaling \$555,775 (€347,095) as at June 30, 2008 as follows:

- (i) Loan for software product development payable in the amount of \$194,248 (€121,095) as at June 30, 2008 with an interest rate of 1.75% and repayment commencing April 7, 2006 and ending April 7, 2010 with annual payments on each anniversary date of \$64,749 (€40,365) excluding interest.
- (ii) Loan for software product application service provider ("ASP") development payable in the amount of \$172,243 (€108,000) as at June 30, 2008 with an interest rate of 1.75% and repayment commencing November 24, 2009 and ending November 29, 2011 with annual payments on each anniversary date of \$57,747 (€36,000) excluding interest.
- (iii) Loan for payment related software product development for \$189,284 (€118,000) as at June 30, 2008 with an interest rate of 1.75% with payment commencing December 12, 2009 and ending December 20, 2011 with annual payments on each anniversary date of \$63,094 (€39,333) excluding interest.

The Company assessed the fair value of the above government loans with the State Treasury of Finland assumed as at the acquisition date, based on an estimated cost of capital of 8% resulting in a related benefit of \$79,000 with the related interest expense being accreted over the remaining loans term. Interest expense recorded up to June 30, 2008 totaled \$ 7,232 (€4,508) resulting in a loan payable of \$651,886 in the consolidated financial statements.

(c) The Company also assumed a capital lease through its acquisition with a balance payable of \$13,464 as at June 30, 2008.

The long term debt of the Company is as follows as at June 30, 2008:

Nordea Bank	\$	178,957
Government loans with Finland State Treasury		482,812
Capital lease obligation		13,464
		<u>675,233</u>
Current portion		<u>(174,811)</u>
	\$	<u>500,422</u>
Loan repayments for the years ending December 31,		
Six months ending December 31, 2008	\$	41,330
Year ending December 31, 2009		299,702
Year ending December 31, 2010		212,557
Year ending December 31, 2011		<u>121,644</u>
	\$	<u>675,233</u>

DDS WIRELESS INTERNATIONAL INC.

9. Other (income) expense:

	Three months ended		Six months ended	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Amortization of gain on disposal of land and building	\$ (47,769)	\$ (47,769)	\$ (95,538)	\$ (95,538)
Interest expense	30,457	-	30,457	-
Other	4,028	10,561	10,201	11,154
	\$ (13,284)	\$ (37,208)	\$ (54,880)	\$ (84,834)

The gain on disposal of land and building is amortized over the life of the original lease.

10. Share capital:

(a) Authorized:

200,000,000 common shares, without par value

50,000,000 preferred shares, without par value

(b) Issued and outstanding:

Balance at, December 31, 2006	\$ 11,863,201	\$ 19,764,711
Shares Issued on acquisition	1,279,990	3,071,976
Balance at, December 31, 2007	\$ 13,143,191	\$ 22,836,687
Shares issued during period	646,555	1,771,559
Balance March 31, 2008	\$ 13,789,746	\$ 24,608,246
Shares issued during period	-	-
Balance at, June 30, 2008	\$ 13,789,746	\$ 24,608,246

(c) Stock options:

The Company has granted stock options to a wide group of management, directors and employees. Under the approved plan, options may be granted for up to 2,000,000 shares of common stock in aggregate. Options generally vest over a three-year term, with one-sixth of the option grant vesting at the end of each six-month interval.

The Company has a broadly distributed stock option plan for management, directors and employees. The maximum authorized number of common share options that can be granted under the plan is 2,000,000. As at June 30, 2008, the Company had outstanding 663,498 options

DDS WIRELESS INTERNATIONAL INC.

10. Share capital (continued):

to acquire common shares at prices ranging from \$3.00 to \$3.75 per share out of a maximum of 2,000,000 options that have already been approved by the shareholders. The Company has an obligation to issue a total of 421,000 options to employees of StrataGen and MobiSoft under the terms of the acquisition by December 31, 2008.

The table below indicates the numbers of stock options granted, exercise price, calculate fair value per option using the Black-Scholes valuation model and the assumptions used in the calculation.

Assumptions	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Number of stock options granted	-	20,000	300,000	200,000
Exercise price per option	\$ -	\$3.00	\$3.01	\$3.00
Fair value per option	\$ -	\$1.17	\$.93	\$1.69
<u>Assumptions:</u>				
Risk Free interest rate	3.2%	4.0%	3.5%	3.8%
Expected Lives of options	3.0 years	3.0 years	3.0 years	3.0 years
Expected dividend yield	0%	0%	0%	0%
Expected volatility	65.1%	77.4%	65.1%	74.8%

The following table summarizes the stock options outstanding and exercisable at June 30, 2008:

Exercise prices	Number of shares	Remaining contractual life (years)	Number exercisable
\$ 3.00	523,998	2.24	83,861
\$ 3.50	127,500	1.00	64,167
\$ 3.55	3,000	0.33	2,500
\$ 3.75	9,000	0.25	7,500
	663,498	1.97	158,028

The stock option expense in the three months ended June 30, 2008 was \$23,984 (three months ended June 30, 2007 - \$75,000). The weighted average fair value of options granted in the three months ended June 30, 2008 was \$.93 (three months ended June 30, 2007 - \$1.69) determined using the Black-Scholes option-pricing model at the date of each grant with the following assumptions:

DDS WIRELESS INTERNATIONAL INC.

10. Share capital (continued):

(d) Contributed surplus:

Balance, December 31, 2006	\$	378,069
Stock option expense		282,162
Balance, December 31, 2007		660,231
Stock option expense		57,524
	\$	717,755

(e) Warrants:

Part of the consideration for the acquisition of StrataGen was a future maximum payment to the StrataGen shareholders of US\$2.3 million in DDS common shares issued from treasury or cash at DDS' sole discretion. Such payment is based on revenue from certain contracts that StrataGen was negotiating at the time of the acquisition. As payment for such revenue is received DDS common shares will be issued from treasury unless the Company chooses to pay cash. The right to obtain such shares is represented by warrants issued on December 7, 2007 to the StrataGen shareholders entitling them to receive at the option of DDS, cash or DDS common shares, which for financial reporting purposes are classified in liabilities at June 30, 2008. The number of common shares to be issued is based on the revenue and related payment received and the trading price of the shares at the time of their issuance. Prior to June 30, 2008, the Company issued 646,555 shares from treasury for payment of US\$1.8 million deferred acquisition consideration payable resulting in total issued and outstanding shares of 13,789,746.

DDS WIRELESS INTERNATIONAL INC.

11. (Loss) earnings per share

Three months ended June 30:

	2008			2007		
	Net loss	Common shares	Per share amount	Net loss	Common shares	Per share amount
Basic and diluted earnings per common share	\$(601,761)	13,789,746	\$(0.04)	\$(1,196,193)	11,863,201	\$(0.10)

Six months ended June 30:

	2008			2007		
	Net loss	Common shares	Per share amount	Net loss	Common shares	Per share amount
Basic and diluted earnings per common share	\$(1,247,333)	13,477,126	\$(0.09)	\$(1,769,864)	11,863,201	\$(0.15)

For the above periods, the effect of outstanding stock options was antidilutive.

12. Financial instruments:

(a) Fair value of financial instruments:

The fair values of the Company's interest bearing lease receivables have been calculated based on the discounted market rate of interest and approximate fair market value. The fair values of cash, cash equivalents, short term investments, accounts and unbilled receivables, income taxes receivable and payable, accounts payable and accrued liabilities approximate their carrying values due to the near-term maturity of these financial instruments. The fair values of long-term debt approximates carrying values, except for the State Treasury of Finland loans for which fair value was determined (Note 8).

(b) Concentration of credit risk:

Financial instruments that potentially expose the Company to concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. Cash and cash equivalents consist primarily of deposits with major commercial banks. With respect to accounts receivable and lease receivables, allowances are maintained for potential credit losses consistent with the credit risk of specific customers.

DDS WIRELESS INTERNATIONAL INC.

12. Financial instruments (continued):

(c) Foreign exchange risk.

Substantially all of the Company's revenues are denominated in currencies other than the Canadian dollar. Fluctuations in the exchange rates between these currencies and the Canadian dollar can have a material effect on the Company's business, financial condition and results of operations. The Company mitigates a portion of this risk by denominating certain of its payment obligations in foreign currencies.

(d) Interest rate risk

The Company's line of credit bears interest at a floating rate and therefore the Company is exposed to changes in cash flows due to fluctuations in interest rates.

13. Commitments and contingencies:

(a) Operating leases:

The Company has entered into various operating lease agreements for leased premises, with remaining terms of up to 6 years. Of the total lease obligations, approximately 82% relates to a lease agreement with a company controlled by the majority shareholder for the land and building occupied by the Company. This lease arose as part of a sale and leaseback transaction entered into in 2003, resulting in a gain to the Company of \$955,381, which is amortized over the initial five year term of the lease expiring September 2008. The deferred gain represented by the unamortized portion is \$47,769 as at June 30, 2008 (June 30, 2007 - \$191,076). The payments with respect to this lease are based on fair market value and aggregated \$153,362 for the three months ended June 30, 2008 (three months ended June 30, 2007 - \$147,258), and for the six months ended June 30, 2008 is \$306,725 (2007, \$294,516). This facility lease agreement was extended in January 2008 by the Company for a five year period ending September 2013. Under this extension the consolidated minimum lease payments in each of the next five years total as follows:

Six months ending December 31, 2008	\$	511,774
Year ending December 31, 2009		973,052
Year ending December 31, 2010		902,750
Year ending December 31, 2011		727,810
Year ending December 31, 2012		714,227
Year ending December 31, 2013		549,405
		<hr/>
	\$	4,379,018

DDS WIRELESS INTERNATIONAL INC.

13. Commitments and contingencies (continued):

(b) Legal Proceedings:

A claim has been filed against the Company in the United States District Court of New York for damages against DDS for infringement of copyright and breach of partnership agreement. The Company has filed its answer to the claim, denying it in its entirety and counterclaiming against the plaintiff for breach of contract. The court has issued its judgement on the claimant's request for an injunction against the Company and has denied the request.

(c) Performance bonds:

For certain contracts, the Company was required to post performance bonds totaling USD\$2,580,048. The Company arranged the bonds with Canada Export Development Corporation ("EDC") and has agreed to indemnify EDC.

DDS WIRELESS INTERNATIONAL INC.

14. Segmented information:

- (a) The Company operates in the wireless mobile data industry and all sales of its products and services are made in this industry. The revenue and plant and equipment of the geographic segments are as follows:

Revenues:	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
United States	\$ 2,727,893	\$ 1,705,956	\$ 5,519,664	\$ 3,633,324
Canada	1,291,148	774,530	2,423,661	1,454,419
Europe	3,331,518	1,815,050	6,183,031	2,836,807
Asia	865,419	33,349	1,090,622	260,025
	\$ 8,215,978	\$ 4,328,885	\$ 15,216,978	\$ 8,184,575

	2008	2007
Plant and equipment:		
Canada	\$ 872,129	\$ 607,879
United States	1,932,317	20,895
Europe	198,303	29,672
Asia	236	4,458
	\$ 3,002,985	\$ 662,904

	2008	2007
Acquired intangibles:		
United States	\$ 5,081,670	\$ -
Europe	4,722,149	-
	\$ 9,803,819	\$ -

	2008	
Goodwill:		
Canada	\$ 722,000	\$ -
Europe	2,607,000	-
	\$ 3,329,000	\$ -

DDS WIRELESS INTERNATIONAL INC.

14. Segmented information (continued):

Effective January 1, 2008, the Company reorganized itself into four distinct business units; Taxi, Transit, eFleet and Wireless Devices and Communications as a result of the Mobisoft and StrataGen acquisitions in late 2007

Three months ended June 30, 2008

	Taxi	Transit	eFleet	Hardware	Total
Revenues from external customers	\$ 5,805,214	\$ 1,709,637	\$ 91,635	\$ 609,492	\$ 8,215,978
Amortization of plant and equipment	134,535	29,112	15,558	13,317	192,522
Amortization of intangibles	305,158	269,023	-	-	574,181
Income tax (recovery) expense	112,610	(102,441)	(123,161)	(50,699)	(163,691)
Expenditures for plant and equipment	236,735	(39,703)	135,433	6,418	338,883

Six months ended June 30, 2008

	Taxi	Transit	eFleet	Hardware	Total
Revenues from external customers	\$ 10,532,536	\$ 3,691,036	\$ 159,234	\$ 834,172	\$ 15,216,978
Amortization of plant and equipment	294,280	57,728	30,391	77,608	460,007
Amortization of intangibles	670,158	537,023	-	-	1,207,181
Income tax (recovery) expense	154,909	(352,072)	(108,395)	(113,860)	(419,418)
Expenditures for plant and equipment	541,544	118,676	135,433	6,418	802,071

The Company does not allocate interest revenue and expenses and non-cash share based compensation to individual segments, rather these are reported internally at the consolidated level.

For the three months and six months ended June 30, 2007, none of the segments, other than taxi, were reportable, and therefore segmented information was not required to be provided.

(b) The Company's revenue is earned through the following activities for the three and six months ended June 30:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Product and services	\$ 8,169,882	\$ 4,227,727	\$ 15,125,073	\$ 7,925,106
Investments	6,609	50,161	9,909	160,085
Financing lease income	39,487	50,997	81,996	99,384
	\$ 8,215,978	\$ 4,328,885	\$ 15,216,978	\$ 8,184,575

DDS WIRELESS INTERNATIONAL INC.

15. Related party transactions:

The Company is party to an operating lease agreement with a company controlled by the majority shareholder, as detailed in Note 13.

The Company is a beneficiary of a guarantee provided by the company controlled by the majority shareholder, as detailed in Note 7.

The Company provides sales and services to a customer that is related to a director. In the three and six months ended June 30, 2008 the total sales and services to this customer were \$145,213, \$207,975 (three and six months ended June 30, 2007 - \$53,135, \$141,534). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the respective parties.

16. Subsequent events:

Subsequent to June 30, 2008, StrataGen Systems Inc, a wholly owned subsidiary, of DDS Wireless International Inc., was approved for a bank line of credit of \$100,000 USD.