



iMedia Announces Results of Second Quarter Operations- Company Sees First Revenues From Hollywood Previews Newspaper Syndication

SANTA MONICA, CA, Wednesday, August 16th, 2006- iMedia International, Inc. (OTC BB: IMNL) (www.imedia-intl.com) announced today the results of its second quarter operations. While the Company saw a decrease in net sales for the period, it realized its first material revenues from its newspaper syndication program, and the distribution of Hollywood Previews Entertainment iMagazine. In addition, the Company continues to show an increase in gross profits from its custom disc productions.

“Since the beginning of the year, we have concentrated our full sales efforts towards the launch of our newspaper syndication in Dallas” said David MacEachern, CEO of iMedia International. “We knew that this would result in an immediate reduction of our custom disc sales, but believe that our intensive focus and the investment made to launch Hollywood Previews will have a greater long-term benefit for the Company”.

During the six-month period ending June 30, 2006, the Company accomplished the following milestones:

- Secured a full-circulation distribution and partnership agreement with the Dallas Morning News, and began distribution of 640,000 Hollywood Previews discs each month beginning April 30.
- Secured a second, full circulation distribution and partnership agreement with the New York Daily News, a newspaper boasting the highest readership of any paper in the New York City area.
- Produced an interactive custom promotional disc for the NCAA basketball championship featuring sponsors Cingular and Coke which was distributed in WalMart stores nationally.
- Produced an interactive promotional disc for PGA Golf sponsored by FedEx. 1,600,000 discs were distributed in Sports Illustrated magazines and in FedEx-Kinko’s retail stores.
- Produced five new interactive discs for Cirque du Soliel.
- Completed custom disc reorders for current clients Wynn Las Vegas Resort, Embassy Vacations, and Cirque du Soliel and Doyle’s Room.
- Received its first royalty payment from Google for click-through advertising response from the Hollywood Previews website.

Net Sales were essentially flat for the six month period ending June 30, 2006 but decreased \$1,005,000 or 59% from \$1,701,000 during the three month period ended June 30, 2006 compared to the comparable period during 2005. The decrease in net sales was primarily due to the reduction in sales efforts for our custom digital disc programs as sales activity was re-focused on Dallas Morning News, whereby we realized our first revenues from our newspaper syndication program.

Cost of sales decreased \$161,000 or 11% from \$1,447,000 to \$1,286,000 for the three months ended June 30, 2005 to \$1,286,000 for the three months ended June 30, 2006. However, during the period we experienced a negative gross profit of \$(589,613) compared to a \$253,000 gross profit for the comparable period during 2005. The negative gross profit is primarily due to the anticipated subsidies to launch Hollywood Previews in the Dallas Morning News. The negative gross profit was partially offset by the continued improvement of gross profits for our custom disc sales which improved to 35% for the three months ended June 30, 2006 compared to 15% during the three month period ending June 30, 2005.

Selling expenses increased \$156,000 or 35% for the three months ended June 30, 2006 to \$595,000 from \$439,000 for the comparable period during 2005. The increase in selling expenses was primarily

attributable to various travel and entertainment expenses and non-cash compensation associated with the launch of Hollywood Previews in the Dallas Morning News.

Our General and Administrative expenses decreased \$1,005,000 or 57% for the three months ended June 30, 2006 to \$770,000 from \$1,775,000 for the comparative period during 2005. The decrease in general administrative expenses was primarily attributable to non-reoccurring cash and non-cash expenses for warrants and offering costs realized in the prior year that were not realized during this period.

About iMedia International Inc.

iMedia International, Inc. (IMNL) is a publicly held digital media solutions company producing DVD's, and CD-ROM's for digital multimedia marketing and promotional campaigns. iMedia publishes proprietary and custom digital iMagazines and offers expert digital media solutions services including: strategic planning, content aggregation and production, disc audio/video design, authoring, editing and compression, disc packaging manufacturing and distribution. A key feature of iMedia's technology is its iReporting™ real-time, online tracking system which provides quantitative data on disc viewer usage patterns and effectiveness of iMedia marketing and promotional campaigns.

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The information in this news release includes certain forward-looking statements that are based upon assumptions that in the future may prove not to have been accurate and are subject to significant risks and uncertainties, including statements to the future financial performance of the Company. Although the Company believes that the expectations reflected in its forward-looking statements are reasonable, it can give no assurance that such expectations or any of its forward-looking statements will prove to be correct. Factors that could cause results to differ include, but are not limited to, successful performance of internal plans, product development and acceptance, the impact of competitive services and pricing, general economic risks and uncertainties, and various other information detailed from time to time in the Company's filings with the United States Securities and Exchange Commission. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date thereof. Please refer to the full filing of the Company's Quarterly Report on Form 10-Q at <http://www.sec.gov>.

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iMedia International, Inc.
Condensed Combined Balance Sheet
As of June 30, 2006 (unaudited)

ASSETS

Current Assets		
Cash	\$	66,693
Accounts receivable, net of allowance for doubtful accounts of \$60,000		428,038
Work in process		59,947
Due from affiliate		5,331
Prepaid expense		9,601
Total current assets		<u>569,610</u>
Property and equipment, net		<u>173,173</u>
Total Assets	\$	<u><u>742,783</u></u>

LIABILITIES AND SHAREHOLDERS' DEFICIT

Current liabilities:		
Accounts payable and accrued expenses	\$	1,753,771
Accrued liquidated damages		2,506,654
Deferred revenue and customer deposits		311,983
Warrant derivative liability		1,484,052
Total current liabilities		<u>6,056,460</u>
Series A - Convertible preferred stock subject to redemption , net of discount of \$1,427,113		<u>1,612,887</u>
Total Shareholders' deficit		<u>(6,926,564)</u>
Total Liabilities and shareholders' deficit	\$	<u><u>742,783</u></u>

iMedia International, Inc.
Condensed Combined Statements of Operations
For the Three and Six Months Ended June 30, 2006 and 2005 (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
		(as restated)		(as restated)
Net sales	\$ 696,460	\$ 1,700,886	\$ 2,120,538	\$ 2,147,351
Cost of sales	<u>1,286,073</u>	<u>1,447,278</u>	<u>2,263,445</u>	<u>1,715,232</u>
Gross profit (loss)	<u>(589,613)</u>	<u>253,608</u>	<u>(142,907)</u>	<u>432,119</u>
Operating expenses:				
Selling and marketing	594,874	439,243	1,787,528	778,933
General and administrative	769,592	1,774,866	1,321,202	3,929,431
Operating expenses-related party	<u>157,625</u>	<u>135,000</u>	<u>322,625</u>	<u>291,000</u>
Total operating expenses	<u>1,522,091</u>	<u>2,349,109</u>	<u>3,431,355</u>	<u>4,999,364</u>
Loss from operations	<u>(2,111,704)</u>	<u>(2,095,501)</u>	<u>(3,574,262)</u>	<u>(4,567,245)</u>

Other (income) expense:				
Net (gain) Loss on revaluation of warrant derivatives	(2,232,911)	2,428,952	(3,631,253)	2,428,952
Penalty on late filing of SB2	782,794	-	1,297,136	-
Warrants issued for extension on Convertible note payable	-	340,478	-	340,478
Interest on amortization of debt discount	-	31,551	-	126,204
Interest (income) expense, net	1,127	29,679	(6,370)	67,572
Loss on investment	-	6,436	-	149,913
Impairment loss on investment in available for sale securities	-	57,720	-	1,570,750
Total other (income) expense	<u>(1,448,990)</u>	<u>2,894,816</u>	<u>(2,340,487)</u>	<u>4,683,869</u>
Loss before provision for income taxes	(662,714)	(4,990,317)	(1,233,775)	(9,251,114)
Provision for income taxes	<u>3,000</u>	<u>3,200</u>	<u>4,092</u>	<u>4,000</u>
Net loss	(665,714)	(4,993,517)	(1,237,867)	(9,255,114)
Interest on fixed conversion feature and accretion of discount on Series A redeemable preferred stock	379,998	92,889	759,996	92,889
Preferred stock dividends Series A and B	119,400	18,746	238,800	18,746
Preferred stock dividends – iPublishing, an affiliated company	<u>6,750</u>	<u>6,750</u>	<u>13,500</u>	<u>13,500</u>
Net loss allocable to common shareholders	<u>\$ (1,171,862)</u>	<u>\$ (5,111,902)</u>	<u>\$ (2,250,163)</u>	<u>\$ (9,380,249)</u>
Net loss per common share allocated to common shareholders, Basic and Diluted	<u>\$ (0.02)</u>	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>	<u>\$ (0.14)</u>
Weighted average common shares outstanding				
Basic and Diluted	<u>73,154,739</u>	<u>70,960,230</u>	<u>73,071,727</u>	<u>69,004,890</u>

iMedia International, Inc.
Condensed Combined Statements of Cash Flows
For the Six months ended June 30, 2006 and 2005 (unaudited)

	2006	2005 (as restated)
	<u> </u>	<u> </u>
Net loss	\$ (1,237,867)	\$ (9,255,114)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	34,139	24,296
Allowance for doubtful accounts	34,695	-
Loss on sale of investments	-	149,913
Unrealized loss on investment in available for sale securities	-	1,570,750
Change in warrant derivative due to revaluation	(3,631,253)	2,428,952
Options issued for employee compensation	90,475	
Options issued to employees	11,374	

Issuance of warrants for extension of notes payable	-	340,478
Issuance of additional warrants to investors	-	810,563
Issuance of warrants for services	199,516	83,584
Issuance of common stock for services	76,000	1,926,750
Common stock issued for extension of related parties notes payable	-	94,900
Net change in deferred compensation	(32,034)	(48,366)
Changes in assets and liabilities:		
Accounts receivable	1,357,750	(880,412)
Work in process	(32,168)	(129,051)
Prepaid expenses and other assets	3,962	(245)
Accounts payable and accrued expenses	655,132	(10,985)
Accrued liquidated damages	1,297,136	-
Deferred revenue and customer deposits	221,543	123,260
Net cash used in operating activities	<u>(951,601)</u>	<u>(2,770,727)</u>
Cash flows from Investing activities		
Purchase of equipment	(66,827)	(16,318)
Sale of investment in available for sale securities	-	209,261
Due to/from affiliates, net	<u>(52,000)</u>	<u>26,398</u>
Net cash (used in) provided by investing activities	(118,827)	219,341
Cash flows from financing activities		
Common stock committed for interest on related party notes	-	(94,900)
Payments on notes payable	-	(1,000,000)
Payments on notes payable – related parties	(8,483)	(130,000)
Proceeds from notes payable - related parties	-	15,047
Proceeds from issuance of redeemable Series A preferred stock, net	-	2,712,393
Proceeds from issuance of common stock for cash	-	1,149,960
Dividend on Preferred Series A	(238,800)	(18,746)
Dividend on iPublishing preferred	<u>(13,500)</u>	<u>(13,500)</u>
Net cash (used in) provided by financing activities	(260,783)	2,620,254
Net change in cash	(1,331,211)	68,868
Cash, beginning of period	<u>1,397,904</u>	<u>453,304</u>
Cash, end of period	<u>\$ 66,693</u>	<u>\$ 522,172</u>
Supplemental disclosures of cash flow information:		
Income taxes paid	\$ 3,562	\$ 3,200
Interest paid	\$ 3,200	\$ 67,571
Non-cash investing and financing activities:		
Accretion of debt discount on Series A redeemable preferred stock	\$ 759,996	\$ -
Issuance of common stock for accrued dividends on Series A preferred stock	\$ 26,122	\$ -