



NEWS RELEASE

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Amaru Inc. Reports Record Financial Results for Second Quarter FY06

*Revenue Climbs 123% to \$7.4 million;
Net Income reaches record level of \$0.9 million*

Singapore – August 14, 2006 – *Amaru, Inc.* (Pink Sheets: AMRU), a leading provider of interactive broadband entertainment and media on demand streaming over broadband channels, Internet portals and 3G devices globally, today announced record financial results for its second quarter and six months ended June 30, 2006.

2Q06 Highlights

- Revenues increased 123% year-over-year to a record \$7.4 million
- Entertainment revenue growth more than doubled sequentially
- Net income grew to record levels of \$0.9 million
- Partnered with Sony/MGM for distribution deal to film library
- Launched Global Broadband TV Service, M2Btv, and innovative PONY set-top boxes

Second Quarter FY06 Financial Results

Revenue for the second quarter of fiscal year 2006 (FY06) grew to record levels of \$7.4 million, an increase of 123% over second quarter FY05 revenue of \$3.3 million. Gross profits for the second quarter of FY06 were \$2.2 million, an increase of 356% compared to gross profit of \$0.5 million for the same period in FY05. Gross margin doubled to over 30% up from 14.8% for the same period in FY05.

Income from operations for the second quarter of FY06 was approximately \$0.9 million, a significant increase over the operating income loss reported a year earlier. Operating margin for the second quarter of FY06 was 12%, as compared to a loss for the second quarter of FY05. Net income for the second quarter of FY06 reached record levels of \$0.9 million, a substantial increase over second quarter FY05 net income of \$0.03 million. Diluted earnings per share for the second quarter FY06 was \$0.01, up from second quarter FY05 EPS of \$0.00.

“We are pleased with our strong results for the quarter,” said Colin Binny, Amaru Inc.’s Chief Executive Officer. “We achieved record revenues, gross profits, operating income and net income. Our strong growth can be attributed to substantial revenues generated from our digit

gaming business, but more significantly from the increasing success and growth of our entertainment businesses. We anticipate this trend will continue as we begin expanding our broadband coverage by launching our broadband digital entertainment platform and new broadband sites in North America, Japan and Australia. We also plan to launch an innovative travel e-commerce portal by year-end 2006.”

Revenue growth in the quarter was driven by digit gaming which grew 166% year over year and accounted for 70% of total revenues. Also contributing to the record quarter, was a significant increase in Entertainment revenues which generated 29.8% of total revenues this quarter, more than doubling from first quarter 2006 levels of 14.6%. Entertainment revenues benefited from the sale of PONY set-top box licensing rights on a non-exclusive basis in four Asian countries. On a year-over-year basis, Entertainment revenues grew 62% and 121% sequentially.

The Company continued to solidify its leadership in broadband entertainment on demand, with the launch of its PONY broadband set-top boxes and with its distribution deal with Sony Pictures. “This agreement is a result of the unique synergy that traditional Hollywood entertainment companies are seeking as consumers begin to embrace what we call the ‘on demand digital lifestyle,’” said Binny. “It is essentially the melding of the highly recognizable content that viewers are looking for with easily accessible distribution vehicles, such as our broadband channels, that offer consumers the highest quality feeds in a way that fits within their limited schedules.”

The distribution agreement is a multi-year deal for films in both the Sony/MGM library that allows for first-run films to be available, on-demand, to subscribers of Amaru’s Global Broadband TV service (M2Btv), accessible through the company’s PONY set-top Box, as well as through online websites.

For the quarter, cost of sales was \$5.2 million, or nearly 70% of revenues, as compared to \$2.8 million or 85% of revenues, in the comparable quarter last year. The increase in cost of sales was mainly attributable to the cost of managing and operating the operations and game centers in Cambodia for digit games. On a sequential basis, the cost of sales were down 10%.

Distribution expenses for the quarter were \$0.3 million, an increase of 121% when compared to \$0.1 million in the comparable quarter last year. The increase is attributable to higher advertising and marketing expenditures from a publicity launch for the Company’s global broadband TV services. On a sequential basis, distribution expenses increased 26%.

Administrative expenses for the quarter grew to over \$1 million, an increase of 167% when compared to \$0.4 million in the comparable quarter last year. The main reasons for the significant increase are due to rising staff costs resulting from new hires and due to the payment of mid-year bonuses. In addition, depreciation and license amortization contributed to the increase in administrative expenses. During the quarter, the Company expanded its office and leased new editing suites to meet the growing demands of the business. Also, the amortization of the digit games license for Cambodia increased substantially when compared year over year.

Six Months FY06 Financial Results

For the first six months of FY06 ended June 30, 2006, revenue increased 202% to \$14.3 million, compared to \$4.7 million for the first six months of FY05. Gross profits increased 228% to \$3.3 million, compared to \$1.0 million. Income from operations for the first six months of FY06 was nearly \$1.1 million, an increase of 451% over operating income of \$0.2 million reported a year earlier. Operating margin for the first six months of FY06 was 7.7%, as compared to 4.2% in the first six months of FY05. Net income for the first six months of FY06 was \$1.2 million, an increase of 514% over the same period last year of \$0.2 million.

Financial Condition

The Company's financial condition improved in the quarter. As of June 30, 2006, Amaru had cash and cash equivalents of \$6.0 million, over \$9.0 million in working capital, and \$1.2 million in short-term debt (the Company has no long-term debt). Shareholders' equity was \$41 million, up from nearly \$20 million at year-end 2005. The Company generated \$0.8 million in cash flow from operations in the first half of 2006.

"With a strong, debt free balance sheet and profitable operations, Amaru is on strong footing to pursue our strategic growth initiatives. We plan to continue to invest in acquiring rights to broadband distribution of a range of premium content that will enable us to build a strong viewership base that can be monetized through advertising, subscriptions, pay per view and e-commerce activity to build a multi-layered revenue model," Binny commented.

Business Outlook

Assuming no significant changes in the marketplace, the company's current expectations are to achieve revenues of \$30 million to \$35 million by year-end 2006 and to achieve net income of between \$1.2 million to \$1.5 million by year-end 2006.

Conference Call

Amaru, Inc. has scheduled a conference call at 8:00 a.m. EST on Monday, August 14, 2006, to discuss results for the second quarter ended June 30, 2006. Joining Colin Binny, Amaru's President and Chief Executive Officer, on the call will be Francis Foong, the Chief Financial Officer. The Company plans to distribute its earnings release prior to the call.

To participate in the live conference call, please dial the following number five to ten minutes prior to the scheduled conference call time: (888) 482-0024. International callers should dial (617) 801-9702. When prompted by the operator, mention Conference ID 96686623.

The conference call will be broadcast live over the Internet and can be accessed by all interested parties at Amaru's web site at <http://www.Amaruinc.com>. To listen to the call please go to this website at least 15 minutes prior to the start of the call to register, download, and install any necessary audio software.

For those unable to participate during the live webcast, an audio replay of the conference call will be archived on the Company's web site for 90 days.

About Amaru Inc.

Amaru, Inc., through its subsidiaries under the M2B brand, is a leader in the Broadband Media Entertainment business, and a major provider of interactive Entertainment-on-demand, Education-on-demand and e-commerce streaming over Broadband channels, Internet portals, and 3G devices. To date, the Company has launched multiple Broadband TV websites for Hollywood and Asian entertainment, education and online shopping, with over 100 channels designed to cater to various consumer segments and lifestyles. Its content covers diverse genres such as movies, dramas, comedies, documentaries, music, fashion, lifestyle, edutainment, and more. The M2B brand has established its competitive edge by offering access to an expansive range of content libraries for aggregation, distribution and syndication on Broadband and other media; including rights for merchandising, product branding, promotion and publicity.

This press release contains forward-looking statements, which are subject to change. The information posted in this release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by use of the words "may," "will," "should," "plans," "expects," "anticipates," "continue," "estimate," "project," "intend," and similar expressions. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected or anticipated. These risks and uncertainties include, but are not limited to, growth and demand for broadband services, the unproven nature of the subscriber model, consumer adaptation of set-top boxes, the ability to execute content deals on favorable terms, government controls on media & gaming in various regions, the ability to manage rapid growth, disruptions to networks, competitors and new entrants, changes in product mix, our efforts to establish independent broadband sites in countries where conditions are suitable, our ability to expand our offerings of content in entertainment and education, and various other factors beyond the Company's control.

-- financial tables to follow --

Amaru, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Three Months Ended June 30, 2006 and 2005
(Unaudited)

	Three Months Ended	
	June 30, 2006	June 30, 2005
Revenue:		
Entertainment	\$ 2,212,822	\$ 1,368,571
Digit gaming	5,220,649	1,964,491
Other income	358	414
Total Revenue	7,433,829	3,333,476
Cost of Services	(5,184,910)	(2,839,899)
Gross Profit	2,248,919	493,577
Distribution costs	(312,095)	(141,109)
Research and Development	(1,048,334)	(393,356)
Total Operating Expenses	(1,360,429)	(534,465)
Income (loss) from operations	888,490	(40,888)
Other Income:		
Interest received	40,289	1,081
Income (loss) before income taxes	928,779	(39,807)
Provision for income taxes	(8,576)	66,228
Net income	\$ 920,203	\$ 26,421
Earnings per share:		
Basic and diluted	\$ 0.006	\$ 0.000
Weighted-average number of common shares outstanding - basic and diluted	151,100,426	115,211,736

Amaru, Inc. and Subsidiaries
Consolidated Statements of Operations
For the Six Months Ended June 30, 2006 and 2005
(Unaudited)

	Six Months Ended	
	June 30, 2006	June 30, 2005
Revenue:		
Entertainment	\$ 3,215,479	\$ 2,771,267
Digit gaming	11,094,343	1,964,491
Other income	1,144	941
Total Revenue	14,310,966	4,736,699
Cost of Services	(10,973,303)	(3,717,913)
Gross Profit	3,337,663	1,018,786
Distribution costs	(559,529)	(200,470)
Research and Development	(1,682,011)	(619,407)
Total Expenses	(2,241,540)	(819,877)
Income (loss) from operations	1,096,123	198,909
Other Income:		
Interest received	57,871	1,081
Income (loss) before income taxes	1,153,994	199,990
Benefit (Provision) for income taxes	66,465	(1,244)
Net income	\$ 1,220,459	\$ 198,746
Earnings per share:		
Basic and diluted	\$ 0.009	\$ 0.002
Weighted average number of common shares outstanding –basic and diluted	142,983,737	112,092,088

Amaru Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	June 30, 2006	December 31, 2005
Assets		
Current Assets:		
Cash and cash equivalents	\$ 6,048,949	\$4,776,819
Accounts receivable	486,064	842,371
Other receivable	17,528	---
Deposit for an investment	1,852,613	---
Prepayment to a supplier	1,098,000	---
Other current assets	790,013	247,566
Total Current Assets	10,293,167	5,866,756
Non Current Assets		
Property and equipment, net	19,679,396	5,264,130
Product development, net	27,765	60,616
Investment at cost	879,664	441,206
Investments available for sale	2,147,580	2,147,580
License, net	9,224,392	6,964,671
Total Non-Current Assets	31,958,797	14,878,203
Total Assets	\$42,251,964	\$20,744,959
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,217,027	\$ 656,484
Advances from related parties	---	58,392
Total Current Liabilities	1,217,027	714,876
Non Current Liabilities		
Deferred tax liability	91,291	157,756
Total Liabilities	1,308,318	872,632
Shareholders' Equity:		
Preferred stock —(par value \$0.001) 5,000,000 shares authorized: 0 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively.	---	---
Common stock —(par value \$0.001) 200,000,000 shares authorized; 153,478,360 and 125,591,120 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively.	153,478	125,591
Paid-in capital	38,722,403	14,642,550
Subscribed common stock, 0 and 5,675,840 shares at June 30, 2006 and December 31, 2005 respectively	---	4,256,880
Retained earnings	2,054,838	834,379
Comprehensive gain on currency translation	12,927	12,927
Total Stockholders' Equity	40,943,646	19,872,327
Total Liabilities and Shareholders' Equity	\$42,251,964	\$20,744,959

Amaru Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended	
	June 30, 2006	June 30, 2005
Cash Flows from Operating Activities:		
Net income	\$ 1,220,459	\$ 198,746
Adjustments to reconcile net income to cash and cash equivalents used or provided by operations:		
Amortization	173,130	104,815
Depreciation	231,058	26,393
Changes in operation assets and liabilities		
Accounts receivable	356,307	(582,330)
Other receivables	(17,528)	680,737
Other current assets	(1,640,447)	(90,577)
Accounts payable and accrued expenses	494,078	250,338
Net Cash Generated from Operating Activities	817,057	588,122
Cash Flows from Investing Activities:		
Software development reduction	---	(17,460)
Acquisition of equipment	(5,906,324)	(2,665,664)
Acquisition of license	(2,400,000)	(3,905,000)
Acquisition of investments	(438,458)	(145,431)
Deposit paid for an investment	(1,852,613)	---
Net Cash Used in Investing Activities	(10,597,395)	(6,733,555)
Cash Flows from Financing Activities		
Payable to related party	(58,392)	(72,892)
Issuance of common stock for cash	11,110,860	6,749,500
Net Cash Provided by Financing Activities	\$ 11,052,468	\$ 6,676,608
Effect of exchange rate changes on cash and cash equivalents	---	3,739
Cash Flows from all Activities:	1,272,130	534,914
Cash and Cash Equivalents at Beginning of Period	4,776,819	644,319
Cash and Cash Equivalents at End of Period	\$ 6,048,949	\$ 1,179,233
Supplemental Disclosure of Non-Cash Financing and Investing Activities:		
Common stock in exchange for repayment of accounts payable	\$ ---	\$ 435,000
Common stock in exchange for acquisition of film library	\$ 8,740,000	\$ ---
Subscribed common stock issued	\$ 4,256,880	\$ ---

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