

For immediate release:

AXCESS INTERNATIONAL ANNOUNCES SECOND QUARTER 2006 RESULTS

Dallas – August 10, 2006 – AXCESS International Inc. (OTCBB: AXSI), a leading provider of Radio Frequency Identification (RFID) solutions and Real Time Location Systems (RTLS), today reported results for the second quarter ended June 30, 2006.

Highlights for the Second Quarter Ended June 30, 2006

- The General Trend of Revenue Growth Continues Upward
- Year-to-date Revenue is Up 80% Over 2005
- Second Quarter Revenue was Up 71% Over 2Q 2005
- The Gross Margin Improved to 47%
- 2Q Loss Per Share of \$.06 Within Range
- The Early Stage RFID Market Continues to Mature
- Success Achieved in Key Vertical Markets with Substantial Room for Growth
- Continued Emphasis on R&D for New Technology
- Successfully Raised \$1.2 million in New Funding
- Reduced Notes Payable Debt by \$150,000

“AXCESS’ revenue growth continued its general trend upward based on \$354 thousand in revenue for the second quarter. First half RFID revenues of \$808 thousand for the first six months of the year is well ahead of 2005,” said Allan Griebenow, President and CEO of AXCESS. “The RFID market continues to mature. In particular, the market for active technology such as AXCESS’ is predicted by one analyst group to grow at a compound rate of 28% for the next ten years. In the quarter we made significant progress in growing our system integrator channel. We further penetrated several vertical markets with great prospects for growth. We referenced our success in enabling the management and protection of valuable financial information on IT assets, a subject which is now regularly in the news due to the unnecessary loss of personal privacy information by corporations and government. To take advantage of that progress, we moved to further emphasize a direct sales model. We hired four new sales and marketing professionals in the quarter. Our commitment is to replicate our successes with large, prestigious customers. We continue to believe we have a powerful technology to build on and we are doing that. During the quarter we completed a successful financing transaction, raising \$1.2 million to help fund that development as well as our growth initiatives.”

Corporate and Industry Developments

AXCESS provides full system RFID solutions for improving productivity and security in industry and government. These systems are based on “active” RFID technology, where wireless “tags” use on-board battery power to transmit signals from a few feet to hundreds of feet in order to automatically identify, track, monitor, and protect people, assets, and vehicles. Active RFID systems (as opposed to passive systems which have no battery power on-board) enable flexible implementations which can serve multiple purposes. AXCESS’ unique patented technology enables tags to wake-up on-demand as needed to provide precise location determination and enable accurate and reliable information for real-time decision making. The ability to have tags always “on” in a beaconing signal mode plus have the option to transmit their status on demand

is called “dual-active” operation. AXCESS’ dual-active RFID is the most economical and flexible solution on the market today. The recent industry report by IDTechEx indicated active RFID solutions are growing rapidly and will sustain 28% compound growth through 2016 and reach \$6.8 billion.

Overall, the awareness of RFID globally continues to grow with the continued adoption of all types of RFID and RTLS technologies across multiple industry segments, including: the retail supply chain; vehicle toll tagging; contactless payment systems; transportation ticketing; security access control; military container tagging; and AXCESS’ enterprise solutions. WalMart continues to mandate that more of its suppliers use low cost, disposable passive tags for identifying cases and pallets. Last year, that awareness began to translate into increased user demand for active (battery-powered) RFID and RTLS applications. AXCESS believes it is developing its business into a distinct, exciting, and large niche within the total market basket of RFID solutions.

In late May, the Company announced the deepening of its supplier-integrator relationship with Tyco Fire and Safety. Tyco successfully integrated our system into their KANTECH access control system and made it immediately available for sale. The KANTECH system complements the SoftwareHouse C-Cure 800 integration previously completed, giving re-sellers more options to sell AXCESS solutions. Tyco re-sellers around the globe sold and implemented almost a dozen solutions in the quarter.

In June, AXCESS further introduced a solution for managing and securing critical computer assets which hold privacy data. The unique ActiveTag RFID solution is applicable to data centers, record departments and enterprise operations where computer assets must be accounted for and protected to be in compliance with Federal and State Laws which require notification to individuals if personal privacy data may have been compromised. This economical and reliable high security RFID solution automatically accounts for and protects computers, data media, and record boxes holding millions of personal privacy records.

Already installed at one of the nation’s top ten banks, the system can track and protect IT assets and archival data tapes whose loss can cost a financial institution as much as \$4 million per incident. It is estimated that AXCESS’ customers may spend as little as \$1 per month per computer asset including the minimal infrastructure for mandated protection. According to Privacy Rights Clearinghouse, 83 million personal confidential records were compromised last year from lost data tapes and stolen computers among other losses. Events in recent months include the Veterans Administration losing control of 26 million records, The American Institute of CPAs who lost 330,000 names and the Texas Guaranteed Student Loan Corp. which lost 1.3 million personal records. Some 38,000 VA records were recently lost by sub-contractor Unysis when a desktop computer went missing.

Significant business losses are also attributable to information theft and unauthorized data access. Each name lost causes over \$40,000 in fraud-related charges, according to a 2003 study by the nonprofit Identity Theft Resource Center. Losses from the theft of proprietary data from corporations and other institutions more than doubled last year to a total of \$356,000 per incident. Ten percent of all companies, government agencies, and educational institutions suffered those losses. Over 10 million US citizens were affected by identity theft last year.

Another contract win for which a similar installation was required was recently announced for AudioTel Corporation, a leading provider of software for financial institutions. AudioTel purchased a physical computer asset protection solution because it wanted an automated way to provide visibility, accountability, and increased security for data pertaining to institutional and retail banking customers. In this case, AXCESS was chosen for its high security implementation following a qualification process based on five best practices related to its managing and securing of critical computer assets which hold financial data.

AXCESS was also awarded a contract using its FleetTag™ technology. In a vertical market for which the Company has been gaining traction, Trailiner Corporation, a freight trucking operator specializing in long distance hauling, came to AXCESS because its unique technology solved the intrinsic challenges faced by fleet operators managing their vehicle assets entering and exiting secure terminal facilities. In addition to providing secure automatic access within their facility, Trailiner utilizes the active RFID technology to provide enhanced customer service and quality control.

In the casino and entertainment verticals, AXCESS continued to provide solutions which fit unique needs. The Company has now provided over twenty casinos with its unique key protection system. It continues to grow its unique solution for managing and improving service personnel productivity. In the quarter, it provided a personnel tagging solution for adding to the entertainment experience at amusement parks. The Company has successfully demonstrated the flexibility and wide range of uses for its ActiveTag™ solutions.

The Company continues to work on next generation products based on the demands of the market for smaller, lower cost tags and infrastructure which also have multiple features and flexible operating options. AXCESS sees this as an opportunity to use its time-to-market and technical advantages to serve an ever-expanding market based on its core technology which has been optimized for the exact needs of enterprise tagging. The development of our intellectual property portfolio continues in support of the ongoing product development, our market strategy, and to re-enforce our competitive advantages.

Second Quarter and First Half of 2006 Financial Results

Revenue was \$354,475 for the three months ended June 30, 2006, an increase of 71% from the same quarter in 2005. Revenue for the six months of 2006 was \$808,038, an increase of 80% from the same period in 2005. The increase in revenue in the quarter and first half of the year is due to the Company gaining traction in the active RFID market with new customers and add-on sales for products and services relating to existing customers. Historically, AXCESS reported revenue from its RFID and video businesses. Following the sale of the video patent portfolio in the first quarter, the Company is generating and reporting revenues only from its RFID operations. Add-on sales that are considered by the Company to represent a form of recurring revenue was 15% of total sales in the second quarter 2006 and first half of 2006.

Gross margin was 47%, or \$165,260, in the second quarter 2006 as compared to 40%, or \$83,273, in the 2005 period, and 43%, or \$344,193, in the first half of 2006 as compared to 45%, or \$200,083, in the first half of 2005, reflecting an improved sales mix and benefits of manufacturing leverage. AXCESS outsources the manufacturing of all of its proprietary and patent-protected RFID system components.

Research & development (R&D) expenses for the second quarter totaled \$259,898, compared to \$207,739 in the year-ago period, and \$863,587 for the first half of 2006, compared to \$391,920 for the first half of 2005. The increase in R&D is due to the timing of the development of the next generation RFID product which will continue to be expensed over the remainder of this year and into next year.

Selling, marketing, general & administrative (S, M, G &A) expenses for the second quarter totaled \$801,807, as compared to \$625,538 in the prior year period, and \$1,529,462 for the first half of 2006, as compared to \$1,236,098 for the first half of 2005. The majority of the increase relates to non-cash costs associated with expensing of stock options from current and prior years, and certain public company expenses. Increased spending for sales and marketing

initiatives primarily reflect the expanding direct sales strategy implemented during the past several months, including higher advertising, personnel and travel costs.

Other income (expense) for the second quarter of 2006 totaled (\$65,076), as compared to (\$181,493) for the same period in 2005 and \$460,050 for the first half of 2006 compared to (\$237,921) for the first half of 2005. The majority of the improvement relates to the gain on the sale of the video patents and the lower interest expense resulting from lower debt balances and the completion of the amortization of the fees.

Net loss for the second quarter of 2006 was \$965,812 as compared to \$939,408 in the prior year quarter, and \$1,597,923 for the first half of 2006 as compared to \$1,682,840 in the first half of 2005. The increase in the net loss is a result of the expenses of stock options that began in 2006, the increase in research and development for the next generation RFID product and increased selling and marketing activities offset by increased gross margins, the sale of video patents and lower interest expenses.

Recurring preferred stock dividend requirements for the second quarter of both fiscal 2006 and 2005 were \$80,847, and \$161,694 for the first half of both years. AXCESS also recorded a one-time dividend of \$645,020 for preferred stock issued in the second quarter 2006, \$1,489,245 for preferred stock issued in the first quarter of 2006 and \$2,060,397 for warrants issued during the first quarter of 2005.

Net loss applicable to common stock for the 2006 second quarter was \$1,691,679, or \$0.06 per share, compared to a loss of \$1,020,255, or \$0.04 per share, for the second quarter of 2005, and \$3,893,882, or \$0.14 per share, for the first half of 2006 compared to \$3,904,931, or \$0.15 per share, for the same period in 2005. The difference in loss in the current year period from the prior year is primarily attributable to the preferred stock dividend requirements.

Balance Sheet Improvements

On May 31, 2006, AXCESS closed on a capital raise that generated \$1.2 million of additional working capital through an exempt preferred stock offering. The transaction involved the issuance of 1,200,000 shares of preferred stock bearing no dividends and 600,000 warrants to purchase the Company's common stock exercisable for five years at \$2.00 per share. As in past capital raises, a large portion of this funding came from the Company's largest shareholder group, Amphion Innovations plc (AMP.L), a company which creates, operates, and finances technology companies. These investors have been encouraged by AXCESS position in the RFID industry to capitalize on existing and more substantial emerging opportunities.

Conference Call

In conjunction with the second quarter earnings release, AXCESS invites you to listen to its conference call today, August 10, 2006, at 11:00 a.m. (Eastern). To participate in the call, domestic callers can dial (800) 237-9752 and international callers can dial (617) 847-8706 and enter the reservation code "21241810". Participants should dial into the call about 10 minutes prior to the start time.

For those unable to attend the live conference call, a replay will be available by dialing (888) 286-8010 for domestic callers and (617) 801-6888 for international callers and entering the replay code "79907658". The replay will be available from approximately one hour after the end of the call until 11:59 p.m. (Eastern) on December 10, 2006. There is no charge for participants

to access the live event or replay. The conference call and replay dial in information is also available on AXCESS' website at www.axcessinc.com.

About AXCESS International Inc.

AXCESS International Inc. (OTCBB:AXSI), headquartered in greater Dallas, TX, provides Radio Frequency Identification (RFID) solutions and Real Time Location Systems (RTLS) for asset management, physical security and supply chain efficiencies. The battery-powered "active" and "semi-active" (on-demand) RFID tags locate, identify, track, monitor, count, and protect people, assets, inventory, and vehicles. AXCESS' RFID solutions are supported by its integrated network-based, streaming digital video (or IPTV) technology. Both patented technologies enable applications including: automatic "hands-free" personnel access control, automatic vehicle access control, automatic asset management, real time location determination, and sensor management. AXCESS is a portfolio company of Amphion Innovations plc.

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<p>This release contains forward-looking statements as defined in Section 21E of the Securities Exchange Act of 1934, including statements about future business operations, financial performance and market conditions. Such forward-looking statements involve risks and uncertainties inherent in business forecasts.</p>

(tables to follow)

Source: AXCESS International, Inc.

AXCESS INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	(Unaudited) June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,222,602	\$ 236,869
Accounts receivable - trade, net of allowance for doubtful accounts of \$17,095 and \$17,389 for 2006 and 2005, respectively.	123,695	141,200
Inventory, net	281,198	112,270
Prepaid expenses and other	67,298	72,628
Total current assets	1,694,793	562,967
Property, plant and equipment, net	22,144	29,387
Deferred debt issuance costs	253,444	337,926
Other assets	3,096	2,699
Total assets	<u>\$ 1,973,477</u>	<u>\$ 932,979</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 137,704	\$ 252,155
Accrued liabilities	1,027,266	959,149
Notes payable:		
Convertible notes payable (includes \$80,000 with related parties in 2005)	—	396,666
Discounts on convertible debt	—	(5,520)
Dividends payable	370,473	208,780
Total current liabilities	1,535,443	1,811,230
Notes payable to stockholders	3,473,660	3,709,071
Total liabilities	5,009,103	5,520,301
Commitments and contingencies (Notes 1 and 2)		
Stockholders' deficit:		
Convertible preferred stock, 10,000,000 and 7,000,000 shares authorized in 2006 and 2005, respectively		
With liquidation preference; no shares issued and outstanding in 2006 and 2005, respectively;	—	—
Without liquidation preference; \$0.01 par value, 6,323,550 and 3,371,495 shares issued and outstanding in 2006 and 2005, respectively	63,235	33,715
Common stock, \$0.01 par value, 70,000,000 and 50,000,000 shares authorized in 2006 and 2005, respectively; 28,205,138 shares issued and outstanding in 2006 and 27,437,111 shares issued and outstanding in 2005	282,052	274,371
Shares of common stock to be issued, 5,333 shares as of December 31, 2005	—	53
Non-voting convertible common stock, \$0.01 par value, 0 and 2,250,000 shares authorized in 2006 and 2005, respectively; no shares issued and outstanding in 2006 or 2005	—	—
Additional paid-in capital	156,710,890	153,436,725
Accumulated deficit	(160,091,803)	(158,332,186)
Total stockholders' deficit	(3,035,626)	(4,587,322)
Total liabilities and stockholders' deficit	<u>\$ 1,973,477</u>	<u>\$ 932,979</u>

AXCESS INTERNATIONAL INC.
CONSOLIDATED STATEMENTS OF OPERATION
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Sales	\$ 354,475	\$ 206,818	\$ 808,038	\$ 447,976
Cost of sales	189,215	123,545	463,845	247,893
Gross profit	165,260	83,273	344,193	200,083
Expenses:				
Research and development	259,898	207,739	863,587	391,920
General and administrative	503,695	335,520	965,105	690,983
Selling and marketing	298,112	290,018	564,357	545,115
Depreciation and amortization	4,291	7,911	9,117	16,984
Operating expenses	1,065,996	841,188	2,402,166	1,645,002
Loss from operations	(900,736)	(757,915)	(2,057,973)	(1,444,919)
Other income (expense):				
Interest expense	(87,372)	(246,599)	(182,635)	(411,737)
Gain in vendor settlements	22,296	65,106	42,685	173,816
Gain on sale of intellectual property	—	—	600,000	—
Other income (expense), net	(65,076)	(181,493)	460,050	(237,921)
Net loss	(965,812)	(939,408)	(1,597,923)	(1,682,840)
Preferred stock dividend requirements:				
Recurring	(80,847)	(80,847)	(161,694)	(161,694)
Warrant inducement	—	—	—	(2,060,397)
2005 Preferred equity offering	—	—	(1,489,245)	—
2006 Preferred equity offering	(645,020)	—	(645,020)	—
Preferred stock dividend requirements	(725,867)	(80,847)	(2,295,959)	(2,222,091)
Net loss applicable to common stock	\$ (1,691,679)	\$ (1,020,255)	\$ (3,893,882)	\$ (3,904,931)
Basic and diluted net loss per share	\$ (0.06)	\$ (0.04)	\$ (0.14)	\$ (0.15)
Weighted average shares of common stock outstanding	28,203,636	26,930,819	28,067,362	26,333,012