

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2006
Unaudited

ASSETS

CURRENT ASSETS:

Cash	\$ 39,217
Accounts receivable (net of allowance of \$44,496)	192,575
Inventories	86,425
Prepaid expenses	37,059
TOTAL CURRENT ASSETS	<u>355,276</u>

EQUIPMENT, net	978,584
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OTHER ASSETS:

Long term receivables	48,475
Intangibles, net	2,329,241
Deferred finance costs	300,459
Deposits	66,862
TOTAL OTHER ASSETS	<u>2,745,037</u>

\$ 4,078,897

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Cash overdraft	\$ 49,655
Accounts payable and accrued expenses	3,202,968
Payroll tax liability	1,625,795
Capital lease obligation	258,988
Convertible debentures due in one year, net unamortized discount of \$874,015	601,366
Notes payable	1,016,269
Common stock to be issued	39,600
Preferred stock to be issued	300,000
Derivative instrument liability	(25,808)
TOTAL CURRENT LIABILITIES	<u>7,068,833</u>

LONG TERM LIABILITIES:

Capital lease obligation	475,162
Convertible debentures, net unamortized discount of \$874,015	1,140,985
TOTAL LONG TERM LIABILITIES	<u>1,616,148</u>

STOCKHOLDERS' DEFICIT:

Preferred stock, \$.0001 par value; authorized shares - 50,000,000 shares; 6,658,649 issued and outstanding	666
Common stock, \$.0001 par value; authorized shares - 750,000,000 shares; 585,747,824 shares issued and outstanding	58,576
Additional paid-in capital	22,053,492
Accumulated deficit	(26,718,816)
TOTAL STOCKHOLDERS' DEFICIT	<u>(4,606,082)</u>

\$ 4,078,897

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See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

	Three Months Ended December 31,		Years Ended December 31,	
	2006	2005	2006	2005
REVENUES:				
Transaction service fees	\$ 410,414	\$ 534,796	\$ 1,872,968	\$ 1,514,830
Equipment sales and installation	50,280	106,212	363,000	548,702
Managed services	165,544	130,029	673,024	412,382
TOTAL REVENUE	<u>626,238</u>	<u>771,037</u>	<u>2,908,992</u>	<u>2,475,914</u>
COST OF SERVICES:				
Telecommunication costs	148,782	227,254	767,228	608,690
Equipment and installation	40,457	45,292	293,842	364,086
Managed services	219,707	193,412	810,017	661,940
Depreciation and amortization	349,298	416,672	1,387,674	820,859
TOTAL COST OF SERVICES	<u>758,243</u>	<u>882,630</u>	<u>3,258,760</u>	<u>2,455,575</u>
GROSS MARGIN (LOSS)	(132,006)	(111,593)	(349,769)	20,339
OPERATING EXPENSES:				
Selling, general and administrative	556,548	939,092	2,828,835	4,268,199
Depreciation	1,181	1,146	5,662	9,123
TOTAL OPERATING EXPENSES	<u>557,729</u>	<u>940,238</u>	<u>2,834,497</u>	<u>4,277,322</u>
OPERATING LOSS	(689,734)	(1,051,831)	(3,184,265)	(4,256,983)
INTEREST EXPENSE	(530,223)	(1,289,463)	(1,357,684)	(4,913,365)
MARK TO MARKET - DERIVATIVE INSTRUMENT LIABILITY	(368,314)	-	1,272,693	-
AMORTIZATION OF NOTE DISCOUNT	602,260	-	-	-
OTHER	(76,055)	(66,986)	(76,055)	(66,986)
NET LOSS	<u>\$ (986,011)</u>	<u>\$ (2,341,294)</u>	<u>\$ (3,345,311)</u>	<u>\$ (9,237,334)</u>
BASIC AND DILUTED - LOSS PER SHARE	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic and Diluted	<u>573,174,724</u>	<u>273,114,770</u>	<u>467,385,588</u>	<u>273,114,770</u>

See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
Unaudited

	Preferred Stock (\$,0001 par value)		Common Stock (\$,0001 par value)		Additional Paid-In Capital (Restated)	Deferred Equity Finance Costs	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance, December 31, 2004	-	-	149,035,281	14,903	8,879,829	(168,750)	(14,138,471)	(5,412,489)
Issuance of stock for:								
Conversion of debentures		-	58,072,223	5,808	1,047,538	-	-	1,053,346
Conversion of loans		-	66,442,143	6,644	3,877,393	-	-	3,884,037
Compensation		-	8,583,809	858	423,238		-	424,096
Acquisitions		-	60,546,990	6,055	3,197,136	-	-	3,203,191
Exercise of warrant		-	1,065,179	108	-	-	-	108
Beneficial conversion		-	-	-	313,794	168,750	-	482,544
Issuance of warrants		-	-	-	663,874			663,874
Issuance of stock for settlements		-	13,764,547	1,376	695,023	-	-	696,399
Amortization		-	-	-	-	-	-	-
Net loss		-	-	-	-	-	(9,237,334)	(9,237,334)
Balance, December 31, 2005	-	-	357,510,172	\$ 35,752	\$ 19,097,825	\$ -	\$ (23,375,805)	\$ (4,242,228)
Issuance of stock for:								
Conversion of debentures		-	158,000,384	15,800	831,527	-	-	847,327
Conversion of loans		-	789,474	79	29,921	-	-	30,000
Private placement	6,658,649	666	34,977,226	3,498	866,632	-	-	870,796
Compensation		-	3,600,000	360	27,540		-	27,900
Acquisitions		-	-	-	-	-	-	-
Exercise of warrant		-	1,000,000	100	9,900	-	-	10,000
Beneficial conversion		-	-	-	300,000	-	-	300,000
Issuance of warrants		-	-	-	-			-
Issuance of stock for settlements		-	29,870,568	2,987	890,147	-	-	893,134
Net loss		-	-	-	-	-	(3,345,311)	(3,345,311)
Balance, December 31, 2006	6,658,649	666	585,747,824	\$ 58,576	\$ 22,053,492	\$ -	\$ (26,721,116)	\$ (4,608,382)

See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

	For the Years Ended Dec. 31,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (3,345,311)	\$ (9,237,334)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5,662	9,123
Depreciation of equipment	755,796	444,983
Write down - impairment of assets	-	-
Amortization of intangibles	708,032	374,596
Gain on extinguishment of debt	-	-
Amortization of deferred financing cost	776,779	144,555
Stock issued for compensation	5,000	308,775
Stock to be issued for services	21,000	69,600
Settlement of loans payable for common stock / interest expense	-	1,913,938
Beneficial conversion and warrants issued for services	300,000	1,146,418
Derivative instrument liability expensed	(855,691)	672,870
Changes in assets and liabilities:		
Accounts receivable	(39,990)	(113,468)
Increase in advance to officers	-	-
Inventory	3,981	(2,151)
Deposits	(4,857)	(30,167)
Prepaid expenses	(29,117)	(7,942)
Other assets	14,190	-
Payroll taxes	530,058	694,194
Accounts payable and accrued expenses	277,713	1,801,739
Net cash used in operating activities	<u>(876,756)</u>	<u>(1,699,401)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition / disposition of equipment	(44,408)	(26,500)
Other	-	25,000
NET CASH USED IN INVESTING ACTIVITIES	<u>(44,408)</u>	<u>(1,500)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of warrants	10,000	-
Payments of capital leases	(197,302)	(124,885)
Payments of notes payable	(102,055)	(37,573)
Proceeds of private placement	585,430	-
Payments of convertible debentures	(55,034)	-
Proceeds from convertible debentures	425,000	2,129,591
Proceeds from capital leases	-	-
Increase in deferred finance costs	(27,500)	(427,500)
Proceeds from notes payable	285,241	174,193
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>923,780</u>	<u>1,713,826</u>
INCREASE (DECREASE) IN CASH	2,616	12,925
CASH - BEGINNING OF PERIOD	<u>36,601</u>	<u>23,676</u>
CASH - END OF PERIOD	<u>\$ 39,217</u>	<u>\$ 36,601</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
State income taxes paid	\$ -	\$ -
Cash paid for interest	<u>\$ 164,198</u>	<u>\$ 33,569</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of debentures and interest into stock	<u>\$ 662,327</u>	<u>\$ 1,053,346</u>
Conversion of notes under standby equity distribution agreement	<u>\$ -</u>	<u>\$ -</u>
Conversion of notes and interest into stock	<u>\$ 30,000</u>	<u>\$ 1,901,224</u>
Common stock to be issued for services	<u>\$ -</u>	<u>\$ 69,600</u>
Reclass of accounts payable to common stock to be issued	<u>\$ -</u>	<u>\$ -</u>
Common stock issued in connection with settlements	<u>\$ 900,000</u>	<u>\$ 696,399</u>
Capital leases	<u>\$ -</u>	<u>\$ 931,452</u>
Acquisition of equipment for note	<u>\$ -</u>	<u>\$ -</u>
Unamortized beneficial conversion	<u>\$ -</u>	<u>\$ 6,748</u>
ACQUISITION DETAILS:		
Fair value of assets acquired	<u>\$ -</u>	<u>\$ 3,919,196</u>
Liabilities assumed	<u>\$ -</u>	<u>\$ 686,152</u>
Common stock issued for acquisition	<u>\$ -</u>	<u>\$ 3,203,191</u>
Acquisition of equipment for note	<u>\$ -</u>	<u>\$ -</u>
Issuance of stock to settle notes payable	<u>\$ -</u>	<u>\$ -</u>

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