

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
December 31, 2007
Unaudited

ASSETS

CURRENT ASSETS:

Cash	\$ 20,149
Accounts receivable (net of allowance of \$44,496)	218,104
Inventories	107,143
Prepaid expenses	19,527
TOTAL CURRENT ASSETS	<u>364,923</u>

EQUIPMENT, net	298,717
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OTHER ASSETS:

Long term receivables	39,841
Intangibles, net	187,857
Deferred finance costs	127,646
Deposits	67,862
TOTAL OTHER ASSETS	<u>423,206</u>

\$ 1,086,846

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:

Cash overdraft	\$ 82,105
Accounts payable and accrued expenses	3,772,532
Payroll tax liability	2,081,876
Capital lease obligation	258,988
Convertible debentures due in one year, net unamortized discount of \$874,015	548,207
Notes payable	1,053,945
Common stock to be issued	39,600
Preferred stock to be issued	300,000
Derivative instrument liability	(346,680)
TOTAL CURRENT LIABILITIES	<u>7,790,573</u>

LONG TERM LIABILITIES:

Capital lease obligation	335,214
Convertible debentures, net unamortized discount of \$874,015	1,388,609
TOTAL LONG TERM LIABILITIES	<u>1,723,823</u>

STOCKHOLDERS' DEFICIT:

Preferred stock, \$.0001 par value; authorized shares - 50,000,000 shares; 6,658,649 issued and outstanding	884
Common stock, \$.0001 par value; authorized shares - 750,000,000 shares; 585,747,824 shares issued and outstanding	58,576
Additional paid-in capital	22,365,974
Accumulated deficit	(30,852,984)
TOTAL STOCKHOLDERS' DEFICIT	<u>(8,427,550)</u>

\$ 1,086,846

See notes to unaudited consolidated financial statements

ICOA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited

	Years Ended December 31,	
	2007	2006
REVENUES:		
Transaction service fees	\$ 1,199,319	\$ 1,872,968
Equipment sales and installation	144,506	363,000
Managed services	619,182	673,024
TOTAL REVENUE	<u>1,963,008</u>	<u>2,908,992</u>
COST OF SERVICES:		
Telecommunication costs	413,416	767,228
Equipment and installation	86,662	293,842
Managed services	583,275	810,017
Depreciation and amortization	2,820,488	1,387,674
TOTAL COST OF SERVICES	<u>3,903,840</u>	<u>3,258,760</u>
GROSS MARGIN (LOSS)	(1,940,832)	(349,769)
OPERATING EXPENSES:		
Selling, general and administrative	1,651,342	2,828,835
Depreciation	18,469	5,662
TOTAL OPERATING EXPENSES	<u>1,669,811</u>	<u>2,834,497</u>
OPERATING LOSS	(3,610,643)	(3,184,265)
INTEREST EXPENSE	(619,473)	(1,357,684)
MARK TO MARKET - DERIVATIVE INSTRUMENT LIABILITY	98,248	1,272,693
AMORTIZATION OF NOTE DISCOUNT	-	-
OTHER	-	(76,055)
NET LOSS	<u>\$ (4,131,868)</u>	<u>\$ (3,345,311)</u>
BASIC AND DILUTED - LOSS PER SHARE	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic and Diluted	<u>585,747,824</u>	<u>467,385,588</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, 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)
Issuance of stock for:								
Conversion of debentures		-	-	-	-	-	-	-
Conversion of loans		-	-	-	-	-	-	-
Private placement	78,125	8	-	-	24,992	-	-	25,000
Compensation	2,100,000	210	-	-	287,490	-	-	287,700
Acquisitions		-	-	-	-	-	-	-
Exercise of warrant		-	-	-	-	-	-	-
Beneficial conversion		-	-	-	-	-	-	-
Issuance of warrants		-	-	-	-	-	-	-
Issuance of stock for settlements		-	-	-	-	-	-	-
Net loss		-	-	-	-	-	(4,131,868)	(4,131,868)
Balance, December 31, 2007	8,836,774	884	585,747,824	\$ 58,576	\$ 22,365,974	\$ -	\$ (30,852,984)	\$ (8,427,550)

See notes to unaudited consolidated financial statements

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

	For the Years Ended Dec. 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (4,131,868)	\$ (3,345,311)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	18,469	5,662
Depreciation of equipment	661,398	755,796
Amortization of intangibles	2,141,384	708,032
Gain on extinguishment of debt	-	-
Amortization of deferred financing cost	172,813	776,779
Stock issued for compensation	287,700	5,000
Stock to be issued for services	-	21,000
Amortization of note discount	247,624	-
Beneficial conversion and warrants issued for services	-	300,000
Derivative instrument liability expensed	(222,624)	(855,691)
Changes in assets and liabilities:		
Accounts receivable	(25,529)	(39,990)
Increase in advance to officers	-	-
Inventory	(20,718)	3,981
Deposits	(1,000)	(4,857)
Prepaid expenses	17,532	(29,117)
Other assets	8,634	14,190
Payroll taxes	456,081	530,058
Accounts payable and accrued expenses	501,467	277,713
Net cash used in operating activities	111,363	(876,756)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition / disposition of equipment	-	(44,408)
Other	-	-
NET CASH USED IN INVESTING ACTIVITIES	-	(44,408)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of warrants	-	10,000
Payments of capital leases	(139,948)	(197,302)
Payments of notes payable	-	(102,055)
Proceeds of private placement	25,000	585,430
Payments of convertible debentures	(53,159)	(55,034)
Proceeds from convertible debentures	-	425,000
Proceeds from capital leases	-	-
Increase in deferred finance costs	-	(27,500)
Proceeds from notes payable	37,676	285,241
NET CASH PROVIDED BY FINANCING ACTIVITIES	(130,431)	923,780
INCREASE (DECREASE) IN CASH	(19,068)	2,616
CASH - BEGINNING OF PERIOD	39,217	36,601
CASH - END OF PERIOD	\$ 20,149	\$ 39,217
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 47,294	\$ 164,198
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Conversion of debentures and interest into stock	\$ -	\$ 662,327
Conversion of notes and interest into stock	\$ -	\$ 30,000
Common stock issued in connection with settlements	\$ -	\$ 900,000

See notes to unaudited consolidated financial statements