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November 2, 2006

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AZ CORP COMMISSION
DOCUMENT CONTROL

Via FedEx
Ms. Candrea Allen
Executive Consultant I
Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2927

Re: IElement Telephone of Arizona, Inc. Docket No. T-20481A-06-0617, First Set of Data Requests

Dear Ms. Allen:

Attached is an original and thirteen (13) copies of IElement Telephone of Arizona, Inc.'s response to the Commission's first set of data requests sent on October 5, 2006. Please contact me at 510 285-8010 with any questions.

Sincerely,

Kristopher E. Twomey
Counsel to IElement Telephone of Arizona, Inc.

Arizona Corporation Commission
DOCKETED
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Oakland, CA 94602
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Data Request 1-1: Please explain how your company calculated the actual maximum and actual minimum that will be contained in your tariffs for each of your services.

Response 1-1: The calculation of the actual maximum and actual minimum rates was not set based on an economic formula. Instead, IElement Telephone of Arizona, Inc. based these rates on those charged in the other states where it does business. IElement Telephone of Arizona, Inc. and its affiliates are expanding throughout the country and for marketing purposes, rates are virtually the same in all states. The minimums and maximums are based on a market analysis, similar to that conducted for the response to Date Request 1-2.

Data Request 1-2: Please indicate why you believe your proposed range of rates is just and reasonable using a competitive market analysis. Your analysis may contain publicly available examples of rates charged by the incumbent or other carriers for similar services or any other information that you believe demonstrates that your proposed rates are just and reasonable.

Please include any supporting materials.

Response 1-2:

IElement Telephone of Arizona, Inc. proposed rates are just and reasonable based on a comparison with rates charged by incumbent local exchange carriers and competitive local exchange carriers currently operating in Arizona.

For example with Residential Flat Rate Exchange Line Service, IElement Telephone of Arizona, Inc. proposes to charge as follows per Tariff No. 1, Sheet 25:

4.2.1.AMonthly Charges

	Per Month
With IElement Telephone of Arizona, Inc. Long Distance	$ 15.00
Without IElement Telephone of Arizona, Inc. Long Distance	$ 35.00

This is comparable to Qwest's residential flat rate service found in Qwest's Exchange and Network Services Price Cap Tariff, Section 5, Page 21:

2. Residence Flat Rate Service

	USOC	NONRECURRING CHARGE	MONTHLY RATE
• Individual line, each	1FR	$27.50	$13.18

As another example for business services, with Business Flat Rate Exchange Line Service, IElement Telephone of Arizona, Inc. proposes to charge as follows per Tariff No. 1, Sheet 26:

4.2.1.AMonthly Charges

	Per Month
With IElement Telephone of Arizona, Inc. Long Distance	$ 20.00
Without IElement Telephone of Arizona, Inc. Long Distance	$ 35.00

This compares favorably with the maximum rates proposed by CommSouth in its Tariff No. 1, Page 20:

5.1 BASIC LOCAL SERVICE

5.1.1 Monthly Standard Service Fee

$69.00

5.1.2 Application Processing Fee (one time charge)

$60.00

This also compares favorably with Qwest's business rate as found in Qwest's Exchange and Network Services Price Cap Tariff, Section 5, Page 22:

3. Business Flat Rate Service

	USOC	NONRECURRING CHARGE	MONTHLY RATE
• Individual line, each	1FB	$42.50 (R)	$30.40 (R)

As for long distance, IElement Telephone of Arizona, Inc. rates are just and reasonable. IElement Telephone of Arizona, Inc. charges are as follows per Tariff No. 2, Page 48:

5.2.1 Switched One Plus Service

Usage Sensitive Charges (Rate Per Minute): $0.10
Non-Usage Sensitive Charges: N/A

5.2.2 Dedicated One Plus Service

Usage Sensitive Charges (Rate Per Minute): $0.07
Non-Usage Sensitive Charges: N/A

This compares favorably with Williams Communications, dba VYVX, LLC's rates of the following per its Tariff No. 1, Page 49:

5.2.1 Switched One Plus Service

Usage Sensitive Charges (Rate Per Minute): $0.1414

Non-Usage Sensitive Charges: N/A

5.2.2 Dedicated One Plus Service

Usage Sensitive Charges (Rate Per Minute): $0.0811

Non-Usage Sensitive Charges: N/A

Data Request 1-3: Please indicate why you believe that your range of rates is just and reasonable using a fair value or cost basis. Please include economic justification or cost support data.

Response 1-3: IElement Telephone of Arizona, Inc. believes that its range of rates are just and reasonable based on a cost basis. Ultimately, Applicant's costs are based on economic analyses prepared by the Commission. Competitive carriers like Applicant must purchase inputs from incumbent local exchange carriers such as Qwest. In order to provide local service, the most basic of these inputs is the unbundled loop. The Commission sets unbundled loop prices based on the Federal Communications Commission's TELRIC formula (total elemental long range incremental cost). These loop prices establish the wholesale cost for IElement Telephone of Arizona, Inc. and can be considered a floor on its prices. As for maximum prices, the telecommunications market is highly competitive with many providers offering similar services to the same class of customers. IElement Telephone of Arizona, Inc. constantly monitors the market to determine the most profitable, yet most marketable, price for its services. The maximum rates included in the proposed tariff represent the highest possible charge based on current market conditions. Again, given the intense competition for customers in the telecommunications market, the actual prices charged will necessarily be set much closer to the minimum price than the maximum.

Data Request 1-4: Please submit IElement, Inc.'s, the parent corporation of IElement Telephone of Arizona, Inc., financial information for the two (2) most recent years including IElement Inc.'s income statement, audit report, retained earnings balance, and any/all related notes.

Response 1-4: Attached as Exhibit 1-4(a), please find financial statements for 2004 and 2005. Attached as Exhibit 1-4(b) is the financial statement from IElement, Inc.'s 10-K filed at the Securities and Exchange Commission on March 31, 2006.

Data Request 1-5: Please provide a list of the names of all owners, partners, limited liability company managers (or if a member managed LLC, all members), or corporation officers and directors (specify) of your parent corporation, IElement, Inc.

Response 1-5: IElement, Inc. is a publicly traded company, and as such, has many shareholders. A full stock ownership register can be provided on request. IElement, Inc.'s officers and directors are the following:

Ivan Zweig (Director, President and CEO, interim Chief Financial Officer)
Alex Ponnath (Director, Chief Technology Officer)
Ken Willey (Director)
Lance Stovall (Director)

Data Request 1-6: Please indicate whether IElement Telephone of Arizona, Inc. will rely upon its parent corporation, IElement, Inc. for financial resources.

Response 1-6: IElement Telephone of Arizona, Inc. will rely upon its parent corporation, IElement, Inc. for financial resources.

EXHIBIT 1-4(a)

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 AND
THE SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 AND THE SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2005

ASSETS

		September 30, 2005 (Unaudited)
CURRENT ASSETS:		
Cash and cash equivalents	$	69,978
Accounts receivable, net		604,653
Other current assets		2,970
Total current assets		677,601
Fixed assets, net of depreciation		774,303
OTHER ASSETS:		
Goodwill		2,079,665
Deposits		52,447
Total other assets		2,132,112
TOTAL ASSETS	$	3,584,016

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$	1,111,618
Customer deposits		151,387
Receivable financing payable		420,087
Commissions payable		157,175
Liability for stock to be issued		649,750
Deferred revenue		737,326
Current portion - notes payable		299,657
Total current liabilities		3,527,000
LONG-TERM LIABILITIES:		
Notes payable, net of current portion		357,513
Total long-term liabilities		357,513
Total Liabilities		3,884,513
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, $.001 Par Value, 2,000,000,000 shares authorized; 96,477,065 shares issued and outstanding		96,477
Preferred stock, $.001 Par Value, 200,000,000 shares authorized; Zero shares issued and outstanding		-
Additional paid-in capital		1,133,355
Unearned compensation expense		(13,000)
Accumulated deficit		(1,517,329)
Total Stockholders' Equity (Deficit)		(300,497)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	3,584,016

The accompanying notes are an integral part of these condensed consolidated financial statements.

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 AND
THE SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Three Months Ended		Six Months Ended	
	September 30, 2005 (Unaudited)	September 30, 2004 (Unaudited)	September 30, 2005 (Unaudited)	September 30, 2004 (Unaudited)
OPERATING REVENUE	$ 1,151,749	$ 1,504,256	$ 2,367,228	$ 3,009,197
COST OF SALES	712,776	815,491	1,452,390	1,649,490
GROSS PROFIT	438,973	688,765	914,838	1,359,707
OPERATING EXPENSES				
General and administrative	595,142	571,953	1,018,496	1,081,320
Selling expenses	136,209	162,370	232,537	299,212
Depreciation & amortization	69,387	67,254	138,052	132,427
Interest expense	26	39,290	4,951	69,555
Receivable factoring fees	27,852	32,095	56,826	65,250
Total Operating Expenses	828,616	872,962	1,450,862	1,647,764
INCOME (LOSS) BEFORE OTHER (EXPENSE)	(389,643)	(184,197)	(536,024)	(288,057)
OTHER (EXPENSE)				
Loss on sale of investments	-	-	-	(38,511)
Total Other Expenses	-	-	-	(38,511)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(389,643)	(184,197)	(536,024)	(326,568)
PROVISION FOR INCOME TAXES	-	-	-	-
NET LOSS APPLICABLE TO COMMON SHARES	$ (389,643)	$ (184,197)	$ (536,024)	$ (326,568)
NET LOSS PER BASIC AND DILUTED SHARES	$ (0.00)	$ (0.04)	$ (0.01)	$ -
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	95,996,101	4,319,392	93,983,032	4,249,508

The accompanying notes are an integral part of these condensed consolidated financial statements.

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
THE SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Six Months Ended	
	September 30, 2005 (Unaudited)	September 30, 2004 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	$ (536,024)	$ (326,568)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	138,052	132,427
Stock issued for services	54,047	-
Changes in assets and liabilities		
(Increase) in accounts receivable	(84,009)	(6,613)
(Increase) in other current assets	(1,190)	(2,767)
(Increase) decrease in deposits	6,546	(14,985)
Increase in accounts payable and accrued expenses	225,204	280,165
Increase in accrued interest	4,872	69,476
(Decrease) in customer deposits	(12,725)	(6,843)
(Decrease) in receivable financing payable	(63,027)	(17,968)
Increase (decrease) in commissions payable	(18,961)	27,602
(Decrease) in deferred revenue	(77,710)	(197,183)
Total adjustments	171,099	263,311
Net cash (used in) operating activities	(364,925)	(63,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(23,304)	(60,409)
Write off of fixed assets	-	3,190
Net cash (used in) investing activities	(23,304)	(57,219)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of notes payable	$ (41,364)	$ (84,166)
Proceeds from notes payable	-	122,004
Common stock issued for cash	-	119,300
Cash received for common stock to be issued	159,250	-
Proceeds in exercise of stock options	-	75
Net cash provided by (used in) financing activities	117,886	157,213

The accompanying notes are an integral part of these condensed consolidated financial statements

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (CONTINUED)
THE SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Six Months Ended	
	September 30, 2005 (Unaudited)	September 30, 2004 (Unaudited)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(270,343)	36,737
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	340,321	29,267
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 69,978	$ 66,004
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
CASH PAID DURING THE QUARTER FOR:		
Interest expense	$ 114	$ 13,356
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Accounts payable converted to equity	$ 85,194	$ -
Accounts payable converted to debt	$ 177,884	$ 59,000
Accounts payable converted to liability for stock to be issued	$ 251,500	$ -
Notes payable converted to liability for stock to be issued	$ 239,000	$ 248,000
Stock issued for services	$ 54,047	$ -

The accompanying notes are an integral part of these condensed consolidated financial statements

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 AND
THE SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

The unaudited interim condensed consolidated financial statements included herein have been prepared by IElement Corporation and Subsidiary (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted as allowed by such rules and regulations, and the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the March 31, 2005 audited financial statements and the accompanying notes thereto. While management believes the procedures followed in preparing these condensed financial statements are reasonable, the accuracy of the amounts are in some respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year.

The management of the Company believes that the accompanying unaudited condensed consolidated financial statements contain all adjustments (including normal recurring adjustments) necessary to present fairly the operations and cash flows for the periods presented.

IElement Corporation (the "Company" or "IElement") was established as a messaging security and management company. On March 25, 2004, pursuant to an Agreement and Plan of Merger, Global Diversified Acquisition Corp. ("GDAC"), acquired all of the outstanding capital stock of MK Secure Solutions Ltd ("MKSS"), a holding company incorporated on March 11, 2003, under the laws of the British Virgin Islands. The transaction was effected by the issuance of shares such that the former MKSS shareholders owned approximately 90% of the outstanding MailKey Corporation stock after the transaction. GDAC then changed its name to MailKey Corporation ("MailKey").

The Company's Chairman and Chief Executive Officer resigned in September 2004 and the Company's Chief Financial Officer and member of the Board resigned in November 2004. Both positions have been filled by the Company's founder and deputy chairman.

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

In early 2005 the Company was unable to continue funding the development of its messaging security solutions, and the rights were transferred to the development team in return for the cancellation of most of the liabilities which the Company owed to them. The Company retains an interest of 20% in the messaging security solutions; however to date there has been no commercialization of the solutions. In the first quarter 2005 the Company sold its insolvent British Virgin Islands subsidiary, MK Secure Solutions Limited, for $1 to a UK based accounting firm, SS Khehar & Company. SS Khehar & Company has agreed to deal with the winding up of the former subsidiary, for a fee of $1,800.

On November 9, 2004, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the MailKey Corporation, MailKey Acquisition Corp., a Delaware corporation and our wholly-owned subsidiary ("Merger Sub"), Inc., a Nevada Corporation, I-Element, Inc. ("I-Element") and Ivan Zweig, pursuant to which the Company agreed to acquire all of the issued and outstanding shares of capital stock of I-Element. This transaction closed in January 2005. At the closing of the Merger, Merger Sub was merged into I-Element, at which time the separate corporate existence of Merger Sub ceased and I-Element now continues as the surviving company. The Share Exchange has been accounted for as a reverse merger under the purchase method of accounting. Accordingly, I-Element will be treated as the continuing entity for accounting purposes and the historical financial statements presented will be those of I-Element.

Under the terms of the Merger Agreement, MailKey issued its common stock, $.001 par value per share, in exchange for all of the issued and outstanding shares of capital stock of I-Element. The exchange ratio setting forth the number of shares of MailKey common stock issued for each issued and outstanding share of capital stock of I-Element was 3.52 shares of MailKey common stock for each issued and outstanding share of capital stock of I-Element.

I-Element, incorporated in Nevada on December 30, 2002, is a facilities-based nationwide communications service provider that provides state-of-the-art telecommunications services to small and medium sized enterprises ("SMEs"). I-Element provides broadband data, voice and wireless services by offering integrated T-1 lines as well as Layer 2 Private Network solutions that provide SMEs with dedicated Internet access services, customizable business solutions for voice, data, wireless and Internet, and secure communications channels between the SME offices, partners, vendors, customers and employees without the use of a firewall or encryption devices. I-Element has a network presence in 18 major markets in the United States, including facilities in Los Angeles, Dallas, and Chicago. The Company started business in 2003.

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY KNOWN AS MAILKEY CORPORATION)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004 AND
THE SIX MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

In connection with the closing of the merger, MailKey entered into a letter of intent with Ivan Zweig and Kramerica Capital Corporation ("Kramerica"), a corporation wholly-owned by Mr. Zweig, which contemplates that MailKey and I-Element will enter into a four year employment agreement with Kramerica and Mr. Zweig pursuant to which Mr. Zweig will serve as the Chief Executive Officer of MailKey and I-Element. The letter of intent provides that Mr. Zweig will receive an annual base salary of $300,000. In addition to his base salary, Mr. Zweig will be entitled to annual performance bonuses with targets ranging from $1,000,000 to $3,000,000 during the second, third and fourth years provided I-Element achieves certain performance goals. If Mr. Zweig is terminated without cause, MailKey is obligated to pay the remaining salary owed to Mr. Zweig for the complete term of the employment agreement, to pay off all notes owed to Mr. Zweig or Kramerica, all outstanding options shall become fully vested, MailKey shall pay all earned performance bonuses and all accrued vacation. If Mr. Zweig is terminated for any reason other than cause, MailKey shall pay in full the Notes owed to either Mr. Zweig or Kramerica Capital Corporation and at least 75% of the earned bonus plan set forth by the directors.

Effective January 24, 2005, Mr. Zweig was also appointed to the Board of Directors of MailKey.

Ivan Zweig has served as the Chief Executive Officer of I-Element since March 2003. Mr. Zweig is also the Chief Executive Officer, director and sole shareholder of Kramerica, a personnel services corporation. Since December 1998, Mr. Zweig has served as the Chief Executive Officer and director of Integrated Communications Consultants Corp. ("ICCC"), a nationwide data carrier specializing in high speed Internet access and secure data transaction. ICCC provides I-Element with resold telecom services and I-Element pays ICCC approximately $100,000 on a monthly basis for such services. On October 1, 2004, ICCC filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court, Northern District of Texas, Dallas Division.

Upon the consummation of the acquisition, I-Element has issued outstanding promissory notes to, among others, Kramerica in the aggregate amount of $120,000 (the "Notes"). I-Element has also issued Notes in the aggregate amount to members of Mr. Zweig's immediate family. The Notes are payable in 36 monthly installments with the first payment commencing six months after the closing of the merger and will continue to be secured by substantially all of the assets of I-Element.

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

The Company received consent to amend the Articles of Incorporation to increase the number of shares of common stock authorized to be issued from 100,000,000 shares to 2,000,000,000 shares, and consented to the authorization of 200,000,000 shares of Blank Check Preferred Stock. There are no current plans to designate any Blank Check Preferred Stock.

On August 1, 2005, the Company filed an Information Statement in definitive form on schedule 14C with the SEC to change its name from MailKey Corporation to IElement Corporation. Concurrent with this name change, the Company received a new stock trading symbol (IELM.OB) on the NASD Over-the-Counter Electronic Bulletin Board.

On August 8, 2005 Tim Dean-Smith and Susan Walton resigned their positions on the Board of Directors (the "Board") of the Company. Tim Dean-Smith also resigned from his position as Chief Financial Officer of the Company. The resignations of Mr. Dean-Smith and Ms. Walton were consistent with the expectations of the parties pursuant to the consummation of the merger between I-Element, and the Company on January 19, 2005, and do not arise from any disagreement on any matter relating to the Company's operations, policies or practices, nor regarding the general direction of the Company. Neither Mr. Dean-Smith nor Ms. Walton served on any subcommittees of the Board. Ivan Zweig, the current Chairman of the Board and Chief Executive Officer was appointed as the Chief Financial Officer of the Company until a new Chief Financial Officer is found.

The Company's condensed consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and have been presented on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The condensed consolidated financial statements include the financial position and results of I-Element. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains cash and cash equivalents with a financial institution which is insured by the Federal Deposit Insurance Corporation up to $100,000. At various times throughout the year the Company had amounts on deposit at the financial institution in excess of federally insured limits.

Revenue and Cost Recognition

The Company records its transactions under the accrual method of accounting whereby income is recognized when the services are provided rather than when billed or the fees are collected, and costs and expenses are recognized in the period they are incurred rather than paid for.

Accounts Receivable

The Company factors 99% of its billings with an outside agency. The Company invoices its customers approximately 34 days prior to the month services are to be rendered with invoice amounts due on the first of the month in which services are rendered. The Company receives 75% of the aggregate net face value of the assigned accounts at the time of placement with the factor.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Deferred Revenue

Deferred revenue consists of customers billed in advance of revenue being earned.

Provision for Bad Debt

Under SOP 01-6 "Accounting for Certain Entities (including Entities with Trade Receivables), the Company has intent and belief that all amounts in accounts receivable are collectible. The Company has determined that based on their collections an allowance for doubtful accounts of $9,691 has been recorded at September 30, 2005.

Bad debt expense for the three months ended September 30, 2005 and 2004 was $28,523 and $2,628, respectively and for the six months ending September 30, 2005 and 2004 was $47,232 and $19,629, respectively.

Advertising Costs

The Company expenses the costs associated with advertising and marketing as incurred. Advertising and marketing expenses, included in the statements of operations for the three months ended September 30, 2005 and 2004 were $2,924 and $2,239, respectively and for the six months ending September 30, 2005 and 2004 was $2,924 and $11,032, respectively.

Income Taxes

The income tax benefit is computed on the pretax loss based on the current tax law. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates. No benefit is reflected for the three months ended September 30, 2005 and 2004, respectively and for the six months ended September 30, 2005 and 2004, respectively.

Fair Value of Financial Instruments

The carrying amount reported in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for notes payable approximates fair value because, in general, the interest on the underlying instruments fluctuates with market rates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Fixed Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Furniture and equipment	5 Years
Telecommunications equipment	5 Years

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

(Loss) Per Share of Common Stock

Historical net (loss) per common share is computed using the weighted average number of common shares outstanding. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive for the periods presented.

Goodwill and Other Intangible Assets

In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This Statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Stock-Based Compensation

Employee stock awards under the Company's compensation plans are accounted for in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), "*Accounting for Stock Issued to Employees*", and related interpretations. The Company provides the disclosure requirements of Statement of Financial Accounting Standards No. 123, "*Accounting for Stock-Based Compensation*" ("SFAS 123"), and related interpretations. Stock-based awards to non-employees are accounted for under the provisions of SFAS 123 and has adopted the enhanced disclosure provisions of SFAS No. 148 "Accounting for Stock-Based Compensation- Transition and Disclosure, an amendment of SFAS No. 123".

The Company measures compensation expense for its employee stock-based compensation using the intrinsic-value method. Under the intrinsic-value method of accounting for stock-based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period. In each of the periods presented, the vesting period was the period in which the options were granted. All options were expensed to compensation in the period granted rather than the exercise date.

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 96-18, "*Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*".

The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

Net stock-based compensation for the three months ended September 30, 2005 and 2004 was $0 and $0, respectively and for the six months ended September 30, 2005 and 2004 was $54,047 and $0, respectively.

On September 8, 2005, the Company issued 325,000 stock options to its employees. The options have an exercise price of $0.01 and vest over 3 years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Recent Accounting Pronouncements

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "*Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*". FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 did not have a significant impact on the Company' results of operations or financial position.

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No. 123 (Revised 2004), "*Share-Based Payment*" ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans.

The provisions of SFAS 123R are effective for small business issuers as of the first interim period that begins after December 15, 2005. Accordingly, the Company will implement the revised standard in the first quarter of fiscal year 2006. Currently, the Company accounts for its share-based payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements. Management is assessing the implications of this revised standard, which may materially impact the Company's results of operations in the first quarter of fiscal year 2006 and thereafter.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Recent Accounting Pronouncements (Continued)

On December 16, 2004, FASB issued Statement of Financial Accounting Standards No. 153, *"Exchanges of Non-monetary Assets, an amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions"* (" SFAS 153"). This statement amends APB Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under SFAS 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. SFAS 153 is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flow.

NOTE 3 - FIXED ASSETS

Property and equipment as of September 30, 2005 was as follows:

Property and equipment	$1,396,572
Less accumulated depreciation	622,269
Net book value	$774,303

There was $69,387 and $67,254 charged to operations for depreciation expense for the three months ended September 30, 2005 and 2004, respectively and $138,052 and $132,427 charged to operations for depreciation expense for the six months ended September 30, 2005 and 2004, respectively.

NOTE 4 - LIABILITY FOR STOCK TO BE ISSUED

The Company has signed agreements with vendors and former directors to convert $251,500 of accounts payable and $239,000 of notes payable into equity. As of September 30, 2005, the shares have not been issued.

NOTE 4 - LIABILITY FOR STOCK TO BE ISSUED - (CONTINUED)

In August 2005, the Company has entered into an agreement with Vista Capital, S.A. ("Vista") whereby Vista will raise capital through the sale of Company stock and warrants. The Company seeks to raise $560,000 from the sale of 32 units – each containing 500,000 shares of common stock at $0.035 and warrants to purchase an additional 250,000 shares of common stock at $0.10. The warrants can called by the Company after the Company's closing share price is equal to or exceeds $0.12 for ten consecutive trading days. Each unit is offered at $17,500. As of September 30, 2005, the Company had received cash totaling $159,250 from the sale of these Units. The Company expects to complete the capital raising in the next quarter. Once completed, the Company will register all the shares and issue the common stock.

NOTE 5 - NOTES PAYABLE

The Company has several notes payable at September 30, 2005. Proceeds from the notes were utilized to finance the general working capital requirements of the Company, purchase equipment and pay certain liabilities assumed by the Company in the purchase of the principal assets of Integrated Communications Consultants Corporation in March of 2003. Prior to the effective merger of I-Element with MailKey, certain of the notes were converted into shares of common stock. Several notes have been partially converted into equity with the remaining balances restated at zero percent interest. All outstanding notes at September 30, 2005 have zero percent interest rate. Accrued interest on the notes was $0 at September 30, 2005.

The notes payable balances at September 30, 2005 were as follows:

Total notes payable	$657,170
Less current maturities	299,657
Long term notes payable	$357,513

The amount principal maturities of the notes payable for the next 4 years ending September 30, and in the aggregate is as follows:

2006	$299,657
2007	186,684
2008	165,743
2009	5,086
	$657,170

$31,186 of the payments on notes due in August and September 2005 were not made as of September 30, 2005.

NOTE 6 - OPERATING LEASES

The Company leases office space on a month-to-month basis. The monthly payment under the current lease is $3,284. The Company also leased additional office space in Texas and California. The Company ceased leasing this additional space during the year ended December 31, 2004.

Rental payments charged to expense for the three months ended September 30, 2005 and 2004 was $10,468 and $22,709, respectively and for the six months ended September 30, 2005 and 2004 was $22,168 and $45,347, respectively.

NOTE 7 - STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock

As of September 30, 2005, the Company has 2,000,000,000 shares of common stock authorized at a par value of $0.001, and 96,477,065 shares issued and outstanding. The company also has 200,000,000 shares of Blank Check Preferred Stock authorized. There are no current plans to designate any Blank Check Preferred Stock.

The following details the stock transactions for the six months ended September 30, 2005:

The Company received 1,498,195 shares of common stock valued at $37,455 which were issued in the previous quarter for services. Upon receipt, the common shares were canceled.

The Company issued 1,500,000 shares of common stock against the $75,000 Liability for Stock to be issued.

The Company issued 340,000 shares of common stock valued at $8,500 to a sales agent as payment on the outstanding balance owed.

The Company issued 175,000 shares of common stock valued at $3,500 to a consultant as payment on the outstanding balance owed.

The Company issued 300,000 shares of common stock valued at $6,000 to a consultant for services received.

NOTE 7 - STOCKHOLDERS' EQUITY (DEFICIT) - (CONTINUED)

Common Stock (Continued)

The Company issued 250,000 shares of common stock valued at $5,500 to a consultant for services received.

The Company issued 1,000,000 shares of common stock valued at $40,000 to an employee as a bonus.

The Company issued 1,000,000 shares of common stock valued at $40,000 to a consultant for services received.

The Company issued 1,626,530 shares of common stock valued at $73,194 to a sales agent as payment on the outstanding balance owed and as payment for current services.

NOTE 8 - PROVISION FOR INCOME TAXES

Deferred income taxes will be determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes will be measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At September 30, 2005, deferred tax assets consist of the following:

Net deferred tax assets	$455,199
Less: valuation allowance	(455,199)
	$ -0-

At September 30, 2005, the Company had deficits accumulated in the approximate amount of $1,517,329, available to offset future taxable income through 2023. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

NOTE 9 - GOING CONCERN

As shown in the accompanying condensed consolidated financial statements, the Company has sustained net operating losses for the three months ended September 30, 2005 and 2004 and for the six months ended September 30, 2005 and 2004. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations. This raises substantial doubt about the Company's ability to continue as a going concern.

The Company's future success is dependent upon its ability to achieve profitable operations and generate cash from operating activities, and upon additional financing. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations. Management believes they can raise the appropriate funds needed to support their business plan and acquire an operating cash flow positive company.

The condensed consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should the Company be unable to continue as a going concern.

NOTE 10 - CONTINGENCIES

On April 19, 2005 KK Solutions, Inc., a California corporation d/b/a/ Three 18, Inc. ("KK"), filed a complaint against the Company and its CEO, Ivan Zweig, individually, in the Superior Court of the State of California, County of Los Angeles, alleging breach of contract pursuant to a dispute regarding sales commissions due to KK. KK seeks damages in the amount of $78,000, plus interest. The Company is vigorously defending against this action, which is currently in the discovery phase of the proceeding.

On April 26, 2005 Communications Plus, Inc., a California company d/b/a Global Communications, ("Global"), filed a complaint against the Company and its CEO, Ivan Zweig, individually, in the Superior Court of the State of California, County of Los Angeles, alleging breach of contract pursuant to a dispute regarding sales commissions due to Global. Global seeks damages in the amount of $50,000, plus interest. The Company is vigorously defending against this action, which is currently in the discovery phase of the proceeding.

EXHIBIT 1-4(b)

IF WE FAIL TO MAINTAIN AN EFFECTIVE SYSTEM OF INTERNAL CONTROLS, WE MAY NOT BE ABLE TO ACCURATELY REPORT OUR FINANCIAL RESULTS. AS A RESULT, CURRENT AND POTENTIAL STOCKHOLDERS COULD LOSE CONFIDENCE IN OUR FINANCIAL REPORTING, WHICH COULD HARM OUR BUSINESS AND THE TRADING PRICE OF OUR COMMON STOCK.

We are subject to reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company to include a management report on such company's internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the effectiveness of the company's internal controls over financial reporting. These requirements may first apply to our annual report on Form 10-K for the fiscal year ending March 31, 2008. Our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may still decline to attest to our management's assessment or may issue a report that is qualified if they are not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. Our reporting obligations as a public company will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We are a young company with limited accounting personnel and other resources with which to address our internal controls and procedures. If we fail to timely achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal controls over financial reporting at a reasonable assurance level. Moreover, effective internal controls over financial reporting are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our common stock. Furthermore, we anticipate that we will incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

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ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND
FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

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BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
Certified Public Accountants
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Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

IElement Corporation and Subsidiary
Dallas, Texas

We have audited the accompanying consolidated balance sheet of IElement Corporation and Subsidiary (the "Company") as of March 31, 2006 and the related statements of operations and cash flows for the years ended March 31, 2006, December 31, 2004 and 2003 and the three months ended March 31, 2005 and the related statement of stockholders' equity (deficit) for the years ended March 31, 2006 and December 31, 2004 and 2003 and the three months ended March 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of IElement Corporation and Subsidiary as of March 31, 2006 and the results of its operations and cash flows and changes of stockholders' equity(deficit) for the years ended March 31, 2006 and December 31, 2004 and 2003 and three months ended March 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements for the years ended March 31, 2006 and December 31, 2004 and 2003 and the three months ended March 31, 2005 have been prepared assuming that the Company will continue as a going concern. As discussed in Note 8 to the consolidated financial statements, the Company has sustained operating losses and capital deficits that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 8. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

As discussed in note 1 to the financial statements, the accompanying financial statements have been restated. The Company has restated its previously issued consolidated financial statements for the years ended December 31, 2004 and 2003 and the three months ended March 31, 2005. The Company reclassified from amounts recorded as Goodwill in a 2003 transaction to an acquisition of Customer Lists. The effect of this reclassification was to recognize the amortization of the Customer Lists for the periods indicated above. The net effect on operations was to increase net loss and accumulated deficits of the Company for each period restated. The amounts recognized were $415,933, $311,950 and $103,983 for the December 31, 2004, December 31, 2003 and the March 31, 2005 periods, respectively. See note (9).

/s/ BAGELL, JOSEPHS LEVINE & COMPANY, L.L.C.
BAGELL, JOSEPHS LEVINE & COMPANY, L.L.C.
Certified Public Accountants
Gibbsboro, New Jersey

June 28, 2006

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
CONSOLIDATED BALANCE SHEET (RESTATED)
MARCH 31, 2006

ASSETS	RESTATED MARCH 31, 2006
CURRENT ASSETS:	
Cash and cash equivalents	$ 719,450
Accounts receivable, net	502,597
Other current assets	109
TOTAL CURRENT ASSETS	1,222,156
Fixed assets, net of depreciation	709,172
OTHER ASSETS:	
Deposits	118,487
TOTAL OTHER ASSETS	118,487
TOTAL ASSETS	$ 2,049,815

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:	
Current portion - notes payable	$ 168,899
Lines of credit payable	6,027
Accounts payable and accrued expenses	1,199,914
Customer deposits	136,220
Receivable financing payable	399,251
Commissions payable	14,364
Deferred revenue	676,759
TOTAL CURRENT LIABILITIES	2,601,434
LONG-TERM LIABILITIES:	
Notes payable, net of current portion	465,785

TOTAL LONG-TERM LIABILITIES	465,785
TOTAL LIABILITIES	3,067,219
STOCKHOLDERS' EQUITY (DEFICIT)	
Preferred stock, $.001 Par Value, 200,000,000 shares authorized; -0- shares issued and outstanding at March 31, 2006	--
Common stock, $.001 Par Value, 2,000,000,000 shares 159,035,031 shares issued and outstanding at March 31, 2006	159,035
Additional paid-in capital	1,061,413
Additional paid-in capital- warrants	177,757
Unearned compensation expense	(12,200)
Accumulated deficit	(2,403,410)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(1,017,404)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 2,049,815

The accompanying notes are an integral part of these consolidated financial statements.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
CONSOLIDATED STATEMENTS OF OPERATIONS

(RESTATED)

FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31,

2004 AND 2003

AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND

2004

	RESTATED	RESTATED	RESTATED	RESTATED	RESTATED
				YEARS ENDED	
		THREE MONTHS ENDED			
	MARCH 31, 2006 (AUDITED)	DECEMBER 31, 2004 (AUDITED)	DECEMBER 31, 2003 (AUDITED)	MARCH 31, 2005 (AUDITED)	MARCH 31, 2004 (UNAUDITED)
OPERATING REVENUE:					
Service income	$ 4,550,092	$ 5,954,772	$		

			$ 4,552,436	$ 1,228,411	$ 1,530,427
OPERATING EXPENSES					
Cost of sales	2,838,021	3,042,978	2,716,680	736,275	819,756
General and administrative	2,335,195	2,033,764	1,116,810	687,928	458,311
Selling expenses	416,426	519,600	518,425	116,263	109,240
Depreciation & amortization	279,398	260,806	159,070	68,164	60,403
Interest expense	534	138,576	122,100	6,992	31,354
Receivable factoring fees	106,602	129,021	118,504	29,874	33,085
TOTAL OPERATING EXPENSES	5,976,176	6,124,745	4,751,589	1,645,496	1,512,149
INCOME (LOSS) BEFORE OTHER (EXPENSE)	(1,426,084)	(169,973)	(199,153)	(417,085)	18,278
OTHER (EXPENSE)					
Loss on sale of investments	--	(125,068)	(65,903)	--	(86,558)
TOTAL OTHER EXPENSES	--	(125,068)	(65,903)	--	(86,558)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(1,426,084)	(295,041)	(265,056)	(417,085)	(68,280)
PROVISION FOR INCOME TAXES	--	--	--	--	--
NET LOSS APPLICABLE TO COMMON SHARES	$ (1,426,084)	$ (295,041)	$ (265,056)	$ (417,085)	$ (68,280)
NET LOSS PER BASIC AND DILUTED SHARES	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	105,125,992	14,913,483	12,167,110	56,697,484	14,525,433

The accompanying notes are an integral part of these consolidated financial statements.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' (DEFICIT) - AUDITED (RESTATED)
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005

	RESTATED	RESTATED	RESTATED	RESTATED	RESTATED	RESTATED	
	COMMON STOCK		ADDITIONAL PAID - IN	ADDITIONAL PAID - IN		UNEARNED	
	SHARES	AMOUNT	CAPITAL	CAPITAL- WARRANTS	ACCUMULATED DEFICIT	COMPENSATION EXPENSE	TOTAL
Balance, December 31, 2003, as originally stated	4	$ --	$ --	$ --	$ (265,056)	$ --	$ (265,056)
Issuance of common stock in exchange for redemption of shares of Integrated Communications Consultants Corporation ("ICCC") - recapitalization	14,369,364	14,369	(14,369)	--	--	--	--
Excess liabilities assumed from recapitalization of ICCC	--	--	(2,079,665)	--	--	--	(2,079,665)
Issuance of common stock as 1% premium for redemption of ICCC shares	143,687	144	--	--	(144)	--	--
Balance, December 31, 2003, (Restated)	14,513,055	14,513	(2,094,034)	--	(265,200)	--	(2,344,721)
Shares of common stock issued in exercise of options	26,400	26	49	--	--	--	75
Accounts payable converted to common stock	35,200	35	4,965	--	--	--	5,000

Issuance of common stock in conversion of notes payable	423,209	423	247,577	--	--	--	248,000
Shares issued for cash	206,391	206	119,094	--	--	--	119,300
Net loss for the period	--	--	--	--	(295,041)	--	(295,041)
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance, December 31, 2004, (Restated)	15,204,255	15,203	(1,722,349)	--	(560,241)	--	(2,267,387)
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Shares of common stock issued in exercise of options	16,115,345	16,115	29,667	--	--	--	45,782
Issuance of common stock in conversion of notes payable	16,526,236	16,527	809,785	--	--	--	826,312
Effects of reverse merger	34,726,355	34,726	(511,014)	--	--	--	(476,288)
Issuance of shares at $0.025 per share for services	7,487,587	7,488	179,701	--	--	--	187,189
Issuance of shares at $0.025 per share in conversion of accounts payable	693,280	693	16,639	--	--	--	17,332
Issuance of shares at $0.025 per share in conversion of debt to equity	1,030,672	1,031	24,735	--	--	--	25,766
Net loss for the year ended March 31, 2005	--	--	--	--	(417,085)	--	(417,085)
	-----------	-----------	-----------	-----------	-----------	-----------	-----------
Balance March 31, 2005 (Restated)	91,783,730	$ 91,783	$(1,172,836)	$ --	$ (977,326)	$ --	$(2,058,379)
	===========	===========	===========	===========	===========	===========	===========

The accompanying notes are an integral part of the consolidated financial statements.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' (DEFICIT) -

AUDITED (RESTATED) (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004

AND FOR THE THREE MONTHS ENDED MARCH 31, 2005

	RESTATED	RESTATED	RESTATED	RESTATED	RESTATED
	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID - IN CAPITAL	ADDITIONAL PAID - IN CAPITAL-WARRANTS	ACCUMULATED DEFICIT
Balance, March 31, 2005 (Restated)	91,783,730	$ 91,783	$ (1,172,836)	$ -	$ (977,326)
Issuance of 1,500,000 shares at $0.05 per share for services	1,500,000	1,500	73,500	-	-
Issuance of 340,000 shares at $0.025 per share for conversion of accounts payable	340,000	340	8,160	-	-
Cancelation of 1,498,195 shares at $0.025 per share for services rendered	(1,498,195)	(1,498)	(35,957)	-	-
Issuance of 300,000 shares at $0.02 per share for services rendered	300,000	300	5,700	-	-
Issuance of 175,000 shares at $0.02 per share for conversion of accounts payable	175,000	175	3,325	-	-
Issuance of 250,000 shares at $0.025 per share for services rendered	250,000	250	5,250	-	-
Issuance of 2,000,000 shares at $0.04 per share for services rendered	2,000,000	2,000	78,000	-	-
Issuance of 1,596,311 shares at $0.05 per share for conversion of accounts payable	1,596,311	1,597	70,238	-	-
Issuance of 30,219 shares at $0.05 per share for conversion of accounts payable	30,219	30	1,330	-	-
Issuance of 325,000 stock options at $0.01					

for services to be rendered, market price $0.05	-		13,000	-	-
Adjust value of 4,109,637 shares by $0.005 per share	-	-	(20,548)	-	-
Cancellation of stock options at $0.01 for services to be rendered, market price $0.05	-	-	(800)	-	-
Issuance of 44,875,000 shares at $0.035 per share for cash	44,875,000	44,875	1,525,750	-	-
Stock issuance costs	-	-	(216,563)	-	-
Issuance of warrants	-	-	(177,757)	177,757	
Issuance of 250,000 shares at $0.035 per share for services rendered	250,000	250	8,500	-	-
Issuance of 3,380,000 shares for conversion of accounts payable	3,380,000	3,380	140,620	-	-
Issuance of 914,286 shares at $0.035 per share for services rendered	914,286	914	31,086	-	-
Issuance of 5,870,000 shares for services rendered	5,870,000	5,870	340,130	-	-
Issuance of 250,000 shares at $0.11 per share for services rendered	250,000	250	27,250	-	-
Issuance of 168,680 shares at $0.11 per share for conversion of accounts payable	168,680	169	18,385	-	-
Issuance of 4,700,000 shares at $0.05 per share for conversion of notes payable	4,700,000	4,700	230,300	-	-
Issuance of 2,150,000 shares for conversion of accounts payable	2,150,000	2,150	105,350	-	-
Net loss for the year ended March 31, 2006	-	-	-	-	(1,426,084)
	------------	------------	------------	------------	------------
Balance March 31, 2006	159,035,031	$ 159,035	$ 1,061,413	$ 177,757	$ (2,403,410)
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	RESTATED UNEARNED COMPENSATION EXPENSE	TOTAL
Balance, March 31, 2005 (Restated)	$ -	$ (2,058,379)
Issuance of 1,500,000 shares at $0.05 per share for services	-	75,000
Issuance of 340,000 shares at $0.025 per share for conversion of accounts payable	-	8,500
Cancelation of 1,498,195 shares at $0.025 per share for services rendered	-	(37,455)
Issuance of 300,000 shares at $0.02 per share for services rendered	-	6,000
Issuance of 175,000 shares at $0.02 per share for conversion of accounts payable	-	3,500
Issuance of 250,000 shares at $0.025 per share for services rendered	-	5,500
Issuance of 2,000,000 shares at $0.04 per share for services rendered	-	80,000
Issuance of 1,596,311 shares at $0.05 per share for conversion of accounts payable	-	71,835
Issuance of 30,219 shares at $0.05 per share for conversion of accounts payable	-	1,360
Issuance of 325,000 stock options at $0.01 for services to be rendered, market price $0.05	(13,000)	0
Adjust value of 4,109,637 shares by $0.005 per share	-	(20,548)

```
Cancellation of stock options at $0.01
   for services to be rendered, market price $0.05               800
0

Issuance of 44,875,000 shares at $0.035 per share
  for cash                                                         -
1,570,625

Stock issuance costs                                               -
(38,806)

Issuance of warrants
(177,757)

Issuance of 250,000 shares at $0.035 per share
   for services rendered                                           -
8,750

Issuance of 3,380,000 shares
   for conversion of accounts payable                              -
144,000

Issuance of 914,286 shares at $0.035 per share
   for services rendered                                           -
32,000

Issuance of 5,870,000 shares
   for services rendered                                           -
346,000

Issuance of 250,000 shares at $0.11 per share
   for services rendered                                           -
27,500

Issuance of 168,680 shares at $0.11 per share
   for conversion of accounts payable                              -
18,555

Issuance of 4,700,000 shares at $0.05 per share
   for conversion of notes payable                                 -
235,000

Issuance of 2,150,000 shares
   for conversion of accounts payable                              -
107,500

Net loss for the year ended March 31, 2006                         -
(1,426,084)
                                                        ------------
------------

Balance March 31, 2006                                  $     (12,200)   $
(1,017,404)
                                                        ============
============
```

The accompanying notes are an integral part of the consolidated financial statements.

IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(RESTATED)
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

	RESTATED	RESTATED	RESTATED	RESTATED	RESTATED
	YEARS ENDED			THREE MONTHS ENDED	
	MARCH 31, 2006	DECEMBER 31, 2004	DECEMBER 31, 2003	MARCH 31, 2005	MARCH 31, 2004
	(AUDITED)	(AUDITED)	(AUDITED)	(AUDITED)	(UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net (loss)	$(1,426,084)	$ (295,041)	$ (265,056)	$ (417,085)	$ (68,280)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Depreciation and amortization	279,398	260,806	159,070	68,164	60,403
Bad debt expense	86,800	63,498	52,241	4,821	17,626
Stock issued for services	522,748	--	--	187,189	--
Loss on disposal of equipment	--	2,296	--	1,877	--
CHANGES IN ASSETS AND LIABILITIES					
(Increase) decrease in accounts receivable	(68,753)	96,436	(800,180)	62,540	221,720
(Increase) decrease in other current assets	1,671	(4,077)	(173)	2,470	(2,471)
(Increase) decrease in deposits	(59,494)	(14,517)	(40,006)	10,530	468
Increase (decrease) in accounts payable	320,555	154,463	(1,259,056)	294,777	(19,316)
Increase (decrease) in liability for stock to be issued	(75,000)	--	--	--	--
Increase (decrease) in accrued interest	4,872	77,364	56,507	--	17,289
Increase (decrease) in payroll taxes payable	--	17,230	--	(17,230)	27,232
Increase (decrease) in customer deposits	(27,892)	(35,010)	204,000	(4,878)	(14,819)
Increase (decrease) in receivable financing payable	(83,863)	(153,082)	657,003	(20,807)	(342,679)
Increase (decrease) in lines of credit payable	6,027	--	--	--	--
Increase (decrease) in commissions payable	(161,772)				

98,994 58,731 18,411 43,786

Increase (decrease) in refunds payable --

(936) 2,015 (1,079) (1,526)

Increase (decrease) in deferred revenue (138,277)

(262,959) 1,097,935 (19,940) 93,331

----------- ----------- ----------- -----------

Total adjustments 607,020

300,506 188,087 586,845 101,044

----------- ----------- ----------- -----------

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES (819,064)

5,465 (76,969) 169,760 32,764

----------- ----------- ----------- -----------

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of fixed assets --

3,451 -- 2,800 --

Acquisition of fixed assets (99,519)

(233,396) (251,023) (9,485) (163,766)

----------- ----------- ----------- -----------

NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES (99,519)

(229,945) (251,023) (6,685) (163,766)

----------- ----------- ----------- -----------

The accompanying notes are an integral part of these consolidated financial statements

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IELEMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (RESTATED)

(CONTINUED)

(FORMERLY MAILKEY CORPORATION)
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER

31, 2004 AND 2003

AND FOR THE THREE MONTHS ENDED MARCH 31, 2005

AND 2004

RESTATED RESTATED

RESTATED RESTATED RESTATED

----------- ----------- ----------- -----------

YEARS

ENDED THREE MONTHS ENDED

--------------------------------------- --------------------------

MARCH 31, DECEMBER

31, DECEMBER 31, MARCH 31, MARCH 31,

2006 2004

2003 2005 2004

(AUDITED)

(AUDITED) (AUDITED) (AUDITED) (UNAUDITED)

CASH FLOWS FROM FINANCING ACTIVITES					
Payments of notes payable	$ (56,350)	$ (465,344)	$ (46,193)	$ (32,909)	$ (32,600)
Proceeds from notes payable	625,331	467,054	22,450	100,000	
Common stock issued for cash	1,570,625	119,300	-	-	-
Stock issuance costs	(216,563)				
Proceeds in exercise of stock options	-	75	-	39,954	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,297,712	279,362	420,861	29,495	67,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	379,129	54,882	92,869	192,570	(63,602)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR / PERIOD	340,321	92,869	-	147,751	92,869
CASH AND CASH EQUIVALENTS - END OF YEAR / PERIOD	$ 719,450	$ 147,751	$ 92,869	$ 340,321	$ 29,267
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
CASH PAID DURING THE YEAR FOR:					
Interest expense	$ 114	$ 34,983	$ 6,459	$ 2,563	$ 3,890
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:					
Common stock issued for conversion of accounts payable	$ 355,250	$ 5,000	$ 0	$ 17,332	$ 5,000
Accounts payable converted to debt	$ 170,384	$ 50,000	$ 0	$ 70,000	$ 0
Issuance of stock for redemption of ICCC shares	$ 0	$ 0	$ 4,123	$ 0	$ 0
Common stock issued for converstion of notes payable	$ 235,000	$			

		248,000	0	852,078	0
Debt converted to accounts payable	$ 0	$ 0	$ 0	$ 126,000	$ 0
Liabilities assumed to acquire fixed assets from ICCC	$ 0	$ 0	$ 2,079,665	$ 0	$ 0
Debt converted in exercise of options	$ 0	$ 0	$ 0	$ 5,828	$ 0
Accounts payable and accrued expenses acquired in reverse merger	$ 0	$ 0	$ 0	$ 63,343	$ 0
Debt acquired in reverse merger	$ 0	$ 0	$ 0	$ 337,945	$ 0
Stock issued for services	$ 522,748	$ 0	$ 0	$ 187,189	$ 0

The accompanying notes are an integral part of these consolidated financial statements

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION

MK Secure Solutions Ltd. was established as a messaging security and Management company. On March 25, 2004, pursuant to an Agreement and Plan of Merger, Global Diversified Acquisition Corp. ("GDAC"), acquired all of the outstanding capital stock of MK Secure Solutions Ltd ("MKSS"), a holding company incorporated on March 11, 2003, under the laws of the British Virgin Islands. The transaction was effected by the issuance of shares such that the former MKSS shareholders owned approximately 90% of the outstanding MailKey stock after the transaction. GDAC then changed its name to MailKey Corporation ("MailKey").

The Company's Chairman and Chief Executive Officer resigned in September 2004 and the Company's Chief Financial Officer and member of the Board resigned in November 2004. Both positions have been filled by the Company's founder and deputy chairman.

In the first quarter of 2005 the Company was unable to continue funding the development of its messaging security solutions, and the rights were transferred to the development team in return for the cancellation of most of the liabilities which the Company owed to them. The Company retains an interest of 20% in the messaging security solutions; however to date there has been no commercialization of the solutions. In the first quarter 2005 the Company sold its insolvent British Virgin Islands subsidiary, MK Secure Solutions Limited, for $1 to a UK based accounting firm, SS Khehar & Company. SS Khehar & Company has agreed to deal with the winding up of the former subsidiary, for a fee of $1,800.

On November 9, 2004, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the MailKey Corporation, MailKey Acquisition Corp., a Delaware corporation and our wholly-owned subsidiary ("Merger Sub"), Inc., a Nevada Corporation, IElement, Inc. ("IElement") and Ivan Zweig, pursuant to which the Company agreed to acquire all of the issued and outstanding shares of capital stock of IElement. This transaction closed in January 2005. At the closing of the Merger, Merger Sub was merged into IElement, at which time the separate corporate existence of Merger Sub ceased and IElement now continues as the surviving company. The Share Exchange has been accounted for as a reverse merger under the purchase method of accounting. Accordingly, IElement will be treated as the continuing entity for accounting purposes and the historical financial statements presented will be those of IElement.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION

(CONTINUED)

Under the terms of the Merger Agreement, MailKey issued its common stock, $.001 par value per share, in exchange for all of the issued and outstanding shares of capital stock of IElement. The exchange ratio setting forth the number of shares of MailKey common stock issued for each issued and outstanding share of capital stock of IElement was 3.52 shares of MailKey common stock for each issued and outstanding share of capital stock of IElement.

IElement, incorporated in Nevada on December 30, 2002, is a facilities-based nationwide communications service provider that provides state-of-the-art telecommunications services to small and medium sized enterprises ("SMEs"). IElement provides broadband data, voice and wireless services by offering integrated T-1 lines as well as Layer 2 Private Network solutions that provide SMEs with dedicated Internet access services, customizable business solutions for voice, data, wireless and Internet, and secure communications channels between the SME offices, partners, vendors, customers and employees without the use of a firewall or encryption devices. IElement has a network presence in 18 major markets in the United States, including facilities in Los Angeles, Dallas, and Chicago. The Company started business in 2003.

In connection with the closing of the merger, MailKey entered into a letter of intent with Ivan Zweig and Kramerica Capital Corporation ("Kramerica"), a corporation wholly-owned by Mr. Zweig, which contemplates that MailKey and IElement will enter into a four year employment agreement with Kramerica and Mr. Zweig pursuant to which Mr. Zweig will serve as the Chief Executive Officer of MailKey and IElement. The letter of intent provides that Mr. Zweig will receive an annual base salary of $300,000. In addition to his base salary, Mr. Zweig will be entitled to annual performance bonuses with targets ranging from $1,000,000 to $3,000,000 during the second, third and fourth years provided IElement achieves certain performance goals. If Mr. Zweig is terminated without cause, MailKey is obligated to pay the remaining salary owed to Mr. Zweig for the complete term of the employment agreement, to pay off all notes owed to Mr. Zweig or Kramerica, all outstanding options shall become fully vested, MailKey shall pay all earned performance bonuses and all accrued vacation. If Mr. Zweig is terminated for any reason other than cause, MailKey shall pay in full the notes owed to either Mr. Zweig or Kramerica Capital Corporation and at least 75% of the earned bonus plan set forth by the directors.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION (CONTINUED)

Effective January 24, 2005, Mr. Zweig was also appointed to the Board of Directors of MailKey. Ivan Zweig has served as the Chief Executive Officer of IElement since March 2003. Mr. Zweig is also the Chief Executive Officer, director and sole shareholder of Kramerica, a personnel services corporation. Since December 1998, Mr. Zweig has served as the Chief Executive Officer and director of Integrated Communications Consultants Corp. ("ICCC"), a nationwide data carrier specializing in high speed Internet access and secure data transaction. ICCC provides IElement with resold telecom services and IElement pays ICCC approximately $97,000 on a monthly basis for such services. On October 1, 2004, ICCC filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court, Northern District of Texas, Dallas Division. On January 19, 2005, upon the consummation of the acquisition, IElement issued eight (8) promissory notes to, Kramerica, certain members of Mr. Zweig's immediate family and others in the aggregate amount of $376,956.16 (the "Notes") with no interest. Upon issuance, the Notes were payable in 36 monthly installments with the first payment commencing six months after the closing of the merger and were secured by substantially all of the assets of IElement. IElement did not make any payments on the Notes. On March 25, 2006 each of the Notes were cancelled and IElement issued new convertible promissory notes to the same individuals in the same principal amount of

$376,956.16, again with no interest thereon. The first payment on each of the new convertible promissory notes is due in September 2006 with a total of 36 monthly installments through August 2009. The Lender has the right to convert all or a portion of the outstanding balance, at any time until the notes are paid in full, into IElement's common stock at a conversion price of $0.035 per share. Any past due balance on the old Notes was forgiven at the time of cancellation of the old Notes and issuance of the new convertible promissory notes. The new convertible promissory notes are secured by substantially all the assets of IElement, as were the original Notes. The aggregate of the Kramerica notes are $120,000 and were issued for services rendered prior to issuance. The $50,000 note was originally issued on June 1, 2004 for services prior to that date and was restated subsequent to the merger on January 19, 2005. The remaining $70,000 note was issued on January 19, 2005 for services rendered prior to that date. The Company's consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and have been presented on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 1- ORGANIZATION AND BASIS OF PRESENTATION
(CONTINUED)

The Company received consent to amend the Articles of Incorporation to increase the number of shares of common stock authorized to be issued from 100,000,000 shares to 2,000,000,000 shares, and consented to the authorization of 200,000,000 shares of Blank Check Preferred Stock. There are no current plans to designate any Blank Check Preferred Stock.

On August 1, 2005, the Company filed an Information Statement in the definitive form on schedule 14C with the SEC to change its name from MailKey Corporation to IElement Corporation. Concurrent with this name change, the Company received a new stock trading symbol (IELM.OB) on the NASD Over-the-Counter Electronic Bulletin Board.

On August 8, 2005, Tim Dean-Smith and Susan Walton resigned their positions on the Board of Directors (the "Board") of the Company. Tim Dean-Smith also resigned from his position as Chief Financial Officer of the Company. The resignations of Mr. Dean-Smith and Ms. Walton were consistent with the expectations of the parties pursuant to the consummation of the merger between IElement and the Company on January 19, 2005, and do not arise from any disagreement on any matter relating to the Company's operations, policies or practices, nor regarding the general direction of the Company. Neither Mr. Dean-Smith nor Ms. Walton served on any subcommittees of the Board. Ivan Zweig, the current Chairman of the Board and Chief Executive Officer was appointed as the Chief Financial Officer of the Company until a new Chief Financial Officer is found.

RESTATEMENT

The restatement relates to the recapitalization of IElement by Integrated Communications Consultants Corporation (ICCC) on March 1, 2003. In a recapitalization, fair value adjustments and goodwill are not recognized. This restatement corrects the reporting of this transaction by removing those adjustments relating to fair value and goodwill.

The effects of the restatement adjustments on IElement's previously reported balance sheet, statement of operations and statement of cash flows for the year ended March 31, 2006 are summarized below.

Balance Sheet	3/31/06 As Restated	3/31/06 As Previously Reported
Customer List, net of amortization	$0	$831,866
Total assets	$2,049,815	$2,881,680
Additional paid in capital	$1,075,782	$3,155,447
Total stockholders' equity (deficit)	($1,017,404)	($185,539)
Total liabilities and stockholders' equity (deficit)	$2,049,815	$2,881,680

Statement of Operations	YE 3/31/06 As Restated	YE 3/31/06 As Previously Reported
Depreciation and amortization	$279,398	$695,331
Total operating expenses	$5,976,176	$6,392,109
Income before other expense	($1,426,084)	($1,842,017)
Net income (loss) before taxes	($1,426,084)	($1,842,017)
Net income (loss) applicable to common shares	($1,426,084)	($1,842,017)
Net income (loss) per basic and diluted share	($0.01)	($0.02)

Statement of Cash Flows	YE 3/31/06 As Restated	YE 3/31/06 As Previously Reported
Net (loss)	($1,426,084)	($1,842,017)
Depreciation and amortization	$279,398	$695,331

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial position and results of IElement. All significant inter-company accounts and transactions have been eliminated in consolidation.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

The Company maintains cash and cash equivalents with a financial institution which is insured by the Federal Deposit Insurance Corporation up to $100,000. At various times throughout the year the Company had amounts on deposit at the financial institution in excess of federally insured limits.

REVENUE AND COST RECOGNITION

The Company records its transactions under the accrual method of accounting whereby income is recognized when the services are provided rather than when billed or the fees are collected, and costs and expenses are recognized in the period they are incurred rather than paid for. In determining when to recognize revenue the Company relies on Staff Accounting Bulletin Topic 13. The Company uses 4 criteria in determining when revenue is realized or realizable and earned. First, the Company must have persuasive evidence of the existing of an arrangement. The Company utilizes written contracts with its customers to meet this criterion. Second, delivery must have occurred or services must have been rendered. The Company defers revenue from the date invoiced, usually 35-40 days before services are rendered, to the month services are deemed completely rendered, thereby satisfying this criterion. Third, the price must be fixed and determinable. The Company delivers invoices to every customer stating the exact amount due for services, thereby satisfying this criterion. Fourth, the company determines credibility of its customers and collectibility of its invoices by evaluating its ongoing history and relationship with each customer, the fact that each customer is dependant upon the Company to provide its telephone and internet services and, in many cases, the fact that the customer has a security or service deposit with the

Company in the amount of one month's service charges. When the Company cannot determine that a particular customer is credible and a particular invoice is collectible, the company will not record this invoice as revenue until the payment is collected from that customer. Thus, the Company meets the fourth criterion that collectibility be reasonably assured.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(CONTINUED)

ACCOUNTS RECEIVABLE

The Company factors 99% of its billings with an outside agency. The Company invoices its customers on the 28th of the month for services to be rendered two months subsequent to the billing date. The Company receives 75% of the aggregate net face value of the assigned accounts at the time of placement with the factor.

DEFERRED REVENUE

Deferred revenue consists of customers billed in advance of revenue being earned.

PROVISION FOR BAD DEBT

Under SOP 01-6 "Accounting for Certain Entities (including Entities with Trade Receivables), the Company has intent and belief that all amounts in accounts receivable are collectible. The Company has determined that based on their collections an allowance for doubtful accounts of $12,165 and $6,098 has been recorded at March 31, 2006 and March 31, 2005.

Bad debt expense for the years ended March 31, 2006 and December 31, 2004 and 2003 was $86,800, $63,498 and $52,241, respectively. Bad debt expense for the three months ended March 31, 2005 and 2004 was $4,821 and $17,626, respectively.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(CONTINUED)

ADVERTISING COSTS

The Company expenses the costs associated with advertising and marketing as incurred. Advertising and marketing expenses included in the statements of operations for the years ended March 31, 2006 and December 31, 2004 and 2003 were $44,444, $24,556 and $5,901, respectively. Advertising and marketing expenses included in the statements of operations for the three months ended March 31, 2005 and 2004 were $660 and $9,216, respectively.

INCOME TAXES

The income tax benefit is computed on the pretax loss based on the current tax law. Deferred income taxes are recognized for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates. No benefit is reflected for the years ended March 31, 2006 and 2005, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount reported in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for notes payable approximates fair value because, in general, the interest on the underlying instruments fluctuates with market rates.

FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Furniture and equipment	5 Years
Telecommunications equipment	5 Years

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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
(CONTINUED)

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Deduction is made for retirements resulting from renewals or betterments.

(LOSS) PER SHARE OF COMMON STOCK

Historical net (loss) per common share is computed using the weighted average number of common shares outstanding. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive for the periods presented.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

(LOSS) PER SHARE OF COMMON STOCK (CONTINUED)

The following is a reconciliation of the computation for basic and diluted EPS:

<TABLE>
<S> <C>

	YEARS ENDED			THREE MONTHS ENDED	
		RESTATED	RESTATED	RESTATED	RESTATED
	MARCH 31, 2006	DECEMBER 31, 2004	DECEMBER 31, 2003	MARCH 31, 2005	MARCH 31, 2004
	(AUDITED)	(AUDITED)	(AUDITED)	(AUDITED)	(UNAUDITED)
Net loss	($ 1,426,084)	($ 295,041)	($ 265,056)	($ 417,085)	($ 68,280)

Weighted average common shares outstanding (Basic)	105,125,992	14,913,483	12,167,110	56,697,484	14,525,433
Weighted average common stock equivalents					
Stock options	--	--	--	--	--
Warrants	--	--	--	--	--
Weighted average common shares outstanding (Diluted)	105,125,992	14,913,483	12,167,110	56,697,484	14,525,433

</TABLE>

There were no options or warrants outstanding to purchase stock for the three months ended March 31, 2005 and 2004 and for the years ended December 31, 2004 and 2003. There were 31,723,281 warrants and options outstanding as of March 31, 2006, but including these options and warrants would have been anti-dilutive to our loss per common share.

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IELEMENT CORPORATION AND SUBSIDIARY
(FORMERLY MAILKEY CORPORATION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2006 AND DECEMBER 31, 2004 AND 2003
AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

GOODWILL AND OTHER INTANGIBLE ASSETS

In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This Statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The Company has no goodwill or other intangible assets.

STOCK-BASED COMPENSATION

Employee stock awards under the Company's compensation plans are accounted for in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES", and related interpretations. The Company provides the disclosure requirements of Statement of Financial Accounting Standards No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION" ("SFAS 123"), and related interpretations. Stock-based awards to non-employees are accounted for under the provisions of SFAS 123 and has adopted the enhanced disclosure provisions of SFAS No. 148 "Accounting for Stock-Based Compensation- Transition and Disclosure, an amendment of SFAS No. 123".

The Company measures compensation expense for its employee stock-based compensation using the intrinsic-value method. Under the intrinsic-value method of accounting for stock-based compensation, when the exercise price of options granted to employees is less than the estimated fair value of the underlying stock on the date of grant, deferred compensation is recognized and is amortized to compensation expense over the applicable vesting period. In each of the periods presented, the vesting period was the period in which the options were granted. All options were expensed to compensation in the period granted rather than the exercise date.

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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

STOCK-BASED COMPENSATION (CONTINUED)

The Company measures compensation expense for its non-employee stock-based compensation under the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) Issue No. 96-18, "ACCOUNTING FOR EQUITY INSTRUMENTS THAT ARE ISSUED TO OTHER THAN EMPLOYEES FOR ACQUIRING, OR IN CONJUNCTION WITH SELLING, GOODS OR SERVICES".

The fair value of the option issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

Stock-based compensation for the years ended March 31, 2006 and December 31, 2004 and 2003 was $12, $0 and $0, respectively. Stock-based compensation for the three months ended March 31, 2005 and 2004 was $187,189 and $0, respectively.

RECENT ACCOUNTING PRONOUNCEMENTS

This Standard also requires expected future operating losses from discontinued operations to be displayed in the period (s) in which the losses are incurred, rather than as of the measurement date as presently required. The adoption of SFAS No. 144 did not have an impact on the Company's results of operations or financial position.

In April 2002, the FASB issued SFAS No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. This statement rescinds SFAS No. 4, "REPORTING GAINS AND LOSSES FROM EXTINGUISHMENT OF DEBT," and an amendment of that statement, SFAS No. 44, "ACCOUNTING FOR INTANGIBLE ASSETS OF MOTOR CARRIERS," and SFAS No. 64, "EXTINGUISHMENTS OF DEBT MADE TO SATISFY SINKING-FUND REQUIREMENTS".

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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

This statement amends SFAS No. 13, "ACCOUNTING FOR LEASES", to eliminate inconsistencies between the required accounting for sales-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sales-leaseback transactions.

Also, this statement amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. Provisions of SFAS No. 145 related to the rescissions of SFAS No. 4 were effective for the Company on November 1, 2002 and provisions affecting SFAS No. 13 were effective for transactions occurring after May 15, 2002. The adoption of SFAS No. 145 did not have a significant impact on the Company's results of operations or financial position.

In June 2003, the FASB issued SFAS No. 146, "ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES". This statement covers restructuring type activities beginning with plans initiated after December 31, 2002. Activities covered by this standard that are entered into after that date will be recorded in accordance with provisions of SFAS No. 146. The adoption of SFAS No. 146 did not have a significant impact on the Company's results of operations or financial position.

In December 2002, the FASB issued Statement No. 148, "ACCOUNTING FOR STOCK-BASED COMPENSATION-TRANSITION AND DISCLOSURE, AN AMENDMENT OF FASB STATEMENT NO. 123"("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "ACCOUNTING FOR STOCK-BASED COMPENSATION," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Finally, this Statement amends Accounting Principles Board ("APB") Opinion No. 28, "INTERIM FINANCIAL REPORTING", to require disclosure about those effects in interim financial information. SFAS 148 is effective for financial statements for fiscal years ending after December 15, 2002. The Company will continue to account for stock-based employee compensation using the intrinsic value method of APB

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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Opinion No. 25, "ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES," but has adopted the enhanced disclosure requirements of SFAS 148. In May 2003, the FASB issued SFAS Statement No. 150, "ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY". This Statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatory redeemable financial instruments of nonpublic entities, if applicable. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the Statement and still existing at the beginning of the interim period of adoption. The adoption of this statement did not have a significant impact on the Company's results of operations or financial position.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), "GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF Others". FIN 45 requires a company, at the time it issues a guarantee, to recognize an initial liability for the fair value of obligations assumed under the guarantees and elaborates on existing disclosure requirements related to guarantees and warranties. The recognition requirements are effective for guarantees issued or modified after December 31, 2002 for initial recognition and initial measurement provisions. The adoption of FIN 45 did not have a significant impact on the Company's results of operations or financial position.

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AND FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

(CONTINUED)

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "CONSOLIDATION OF VARIABLE INTEREST ENTITIES, AN INTERPRETATION OF ARB NO. 51". FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial

For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption of FIN 46 did not have a significant impact on the Company' results of operations or financial position.

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No. 123 (Revised 2004), "SHARE-BASED PAYMENT" ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans.

The provisions of SFAS 123R are effective for small business issuers as of the first interim period that begins after December 15, 2005. Accordingly, the Company will implement the revised standard in the first quarter of fiscal year 2006. Currently, the Company accounts for its share-based payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements. Management is assessing the implications of this revised standard, which may materially impact the Company's results of operations in the first quarter of fiscal year 2006 and thereafter.

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NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -

(CONTINUED)

On December 16, 2004, FASB issued Statement of Financial Accounting Standards No. 153, "EXCHANGES OF NON-MONETARY ASSETS, AN AMENDMENT OF APB OPINION NO. 29, ACCOUNTING FOR NON-MONETARY TRANSACTIONS" (" SFAS 153"). This statement amends APB Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under SFAS 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. SFAS 153 is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flow.

NOTE 3- FIXED ASSETS

Property and equipment as of March 31, 2006 was as follows:

	MARCH 31, 2006
Property and equipment	$ 1,472,787
Less: accumulated depreciation	($ 763,615)
Net book value	$ 709,172

There was $279,398, $260,806 and $159,079 charged to operations for depreciation expense for the years ended March 31, 2006 and December 31, 2004 and 2003, respectively. There was $68,164 and $60,403 charged to operations for depreciation expense for the three months ended March 31, 2005 and 2004, respectively.

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NOTE 4- NOTES PAYABLE

The Company has several notes payable at March 31, 2006. On January 19, 2005, upon the consummation of the acquisition, IElement issued eight (8) promissory notes to, Kramerica, certain members of Mr. Zweig's immediate family and others in the aggregate amount of $376,956 (the "Notes") with no interest. Upon issuance, the Notes were payable in 36 monthly installments with the first payment commencing six months after the closing of the merger and were secured by substantially all of the assets of IElement. IElement did not make any payments on the Notes. On March 25, 2006 each of the Notes were cancelled and IElement issued new convertible promissory notes to the same individuals in the same principal amount of $376,956, again with no interest hereon. The first payment on each of the new convertible promissory notes is due in September 2006 with a total of 36 monthly installments through August 2009. The Lender has the right to convert all or a portion of the outstanding balance, at any time until the notes are paid in full, into IElement's common stock at a conversion price of $0.035 per share. Any past due balance on the old Notes was forgiven at the time of cancellation of the old Notes and issuance of the new convertible promissory notes. The new convertible promissory notes are secured by substantially all the assets of IElement as were the original Notes. The aggregate of the Kramerica notes are $120,000 and were issued for services rendered prior to issuance. The $50,000 note was originally issued on June 1, 2004 for services prior to that date and was restated subsequent to the merger on January 19, 2005. The remaining $70,000 note was issued on January 19, 2005 for services rendered prior to that date.

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NOTE 4- NOTES PAYABLE

(CONTINUED)

Accrued interest on the notes is $0 at March 31, 2006.

The notes payable balances at March 31, 2006 were as follows:

	MARCH 31, 2006
Total notes payable	$ 634,684
Less: current maturities	168,899
Long-term notes payable	$ 465,785

The amount of principal maturities of the notes payable for the next four years ending March 31 and in the aggregate is as follows:

2007	$168,899
2008	$201,316
2009	$186,684
2010	$77,785
	$634,684

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NOTE 5- OPERATING LEASES

The Company leases office space under a lease commencing in June of 2005. The lease is payable on a month-to-month basis. Monthly payments under the current lease is $3,284. The Company also leased additional office space in Texas and California. The Company ceased leasing this additional space during the period ended December 31, 2004.

Rental payments charged to expense for the years ended March 31, 2006 and December 31, 2004 and 2003 were $41,872, $82,072 and $68,750, respectively. Rental payments charged to expense for the three months ended March 31, 2005 and 2004 were $11,700 and $15,050, respectively.

NOTE 6- STOCKHOLDERS' EQUITY (DEFICIT)

COMMON STOCK

As of March 31, 2006, the Company has 2,000,000,000 shares of common stock authorized at a par value of $0.001, and 159,035,031 shares issued and outstanding.

The following details the stock transactions for the year ended March 31, 2006:

The Company issued 2,150,000 shares of common stock in conversion of accounts payable valued at $107,000.

The Company issued 4,700,000 shares of common stock in conversion of notes payable in the amount of $235,000.

The Company issued 168,680 shares of common stock in conversion of accounts payable valued at $18,555.

The Company issued 250,000 shares of common stock for services rendered valued at $27,500.

The Company issued 5,870,000 shares of common stock for services rendered valued at $346,000.

The Company issued 914,286 shares of common stock for services rendered valued at $32,000.

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NOTE 6- STOCKHOLDERS' EQUITY (DEFICIT)

(CONTINUED)

The Company issued 3,380,000 shares of common stock in conversion of accounts payable valued at $144,000.

The Company issued 250,000 shares of common stock for services rendered valued at $8,750.

The Company issued 44,875,000 shares of common stock for $1,570,625 in cash.

On December 30, 2005, the Company confirmed the sale of unregistered securities sold in units consisting of, in the aggregate, 45,125,000 shares of common stock at a purchase price of $0.035 per share, for an aggregate purchase price of $1,579,375 and warrants for the purchase of and aggregate total of 22,562,500 at a strike price of $0.10 per share (the "Warrants"). The securities were sold to accredited investors in reliance on an exemption provided in Regulation D, Rule 506 and 4(2) under the Securities Act. The Company may call the Warrants at any time after both the (1) closing bid price for the common stock of the Company has been equal to or greater than $0.12 per share for ten (10) consecutive trading days, and (2) the shares underlying the warrants have been included on an SB-2 Registration Statement, or other substantially equivalent registration statement, that has been filed by the Company and then active or declared effective by the SEC and shall expire upon the earlier of forty-five (45) days from the date the Warrant is called or on December 31,2007.

The Company issued 1,626,530 shares of common stock in conversion of accounts payable valued at $73,195.

The Company issued 2,000,000 shares of common stock for services rendered valued at $80,000.

The Company issued 250,000 shares of common stock for services rendered valued at $5,500.

The Company issued 175,000 shares of common stock in conversion of accounts payable valued at $3,500.

The Company issued 300,000 shares of common stock for services rendered valued at $6,000.

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NOTE 6- STOCKHOLDERS' EQUITY (DEFICIT)

(CONTINUED)

The Company canceled 1,498,195 shares of common stock for services rendered valued at $37,455.

The Company issued 340,000 shares of common stock in conversion of accounts payable valued at $8,500.

The Company issued 1,500,000 shares of common stock for services rendered valued at $75,000.

As of March 31, 2005 the Company had 91,783,730 shares of common stock issued and outstanding. The following details the stock transactions for the three months ended March 31, 2005:

The Company issued 16,115,345 shares of common stock due to the exercise of options.

The Company issued 16,526,236 shares of common stock in conversion of notes payable to equity valued at $826,312.

The Company issued 34,726,355 shares of common stock in conjunction with the reverse merger.

The Company issued 7,487,587 shares of common stock for services valued at $187,189.

The Company issued 693,280 shares of common stock in conversion of accounts payable valued at $17,332.

The Company issued 1,030,672 shares of common stock in conversion of notes payable valued at $25,776.

In connection with the recapitalization, there were $337,945 in notes payable and $63,343 in liabilities assumed by the new company.

As of December 31, 2004 the Company had 15,204,255 shares of common stock issued and outstanding. The following details the stock transactions for the year ended December 31, 2004:

The Company issued 206,391 shares of common stock for $119,300 in cash.

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NOTE 6- STOCKHOLDERS' EQUITY (DEFICIT)

(CONTINUED)

The Company issued 423,209 shares of common stock in conversion of notes payable valued at $248,000.

The Company issued 35,200 shares of common stock in conversion of accounts payable valued at $5,000.

The Company issued 26,400 shares of common stock due to the exercise of options.

The Company issued 14,513,054 shares of common stock in conjunction with the recapitalization and share exchange of Integrated Communications Consultants Corporation.

BLANK CHECK PREFERRED STOCK

The company also has 200,000,000 shares of Blank Check Preferred Stock authorized. There are no current plans to designate and Blank Check Preferred Stock.

NOTE 7- PROVISION FOR INCOME TAXES

Deferred income taxes will be determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes will be measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

At March 31, 2006, deferred tax assets consist of the following:

Net deferred tax assets	$ 721,023
Less: valuation allowance	($ 721,023)
	$ -0-

At March 31, 2006, the Company had deficits accumulated in the approximate amount of $2,403,410, available to offset future taxable income through 2024. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

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NOTE 8- GOING CONCERN

As shown in the accompanying consolidated financial statements the Company has sustained net operating losses for the years ended March 31, 2006 and December 31, 2004 and 2003 as well as the three months ended March 31, 2005 and 2004. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations. This raises substantial doubt about the Company's ability to continue as a going concern.

The Company's future success is dependent upon its ability to achieve profitable operations and generate cash from operating activities, and upon additional financing.

There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations. Management believes they can raise the appropriate funds needed to support their business plan and acquire an operating, cash flow positive company.

The consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should the Company be unable to continue as a going concern.

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The consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should the Company be unable to continue as a going concern.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NONE

ITEM 8A. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Based upon our evaluation as of the end of the period covered by this report, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were not effective to ensure that information required to be included in the Company's periodic SEC filings is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms.

A material weakness is a significant deficiency or a combination of significant deficiencies that result in a more than remote likelihood than a material misstatement of the annual or interim financial statements will not be prevented or detected.

Bagell, Josephs, Levine and Company, LLC, our independent registered public accounting firm, has advised management and the board of directors that it has identified the following material weakness in our internal controls:

A material weakness existed as of July 14, 2006, with regard to our design and maintenance of adequate controls over the preparation, review, presentation and disclosure of amounts included in our Consolidated Balance Sheet, Consolidated Statement of Operations, Consolidated Statement of Changes in Stockholders' Equity and Statement of Cash Flows which resulted in misstatements therein. The recapitalization of Integrated Communications Consultants Corporation on March 1, 2003 was not appropriately classified as a recapitalization.

In order to remediate these material weaknesses in our internal control over financial reporting, management is in the process of designing and implementing and continuing to enhance controls to aid in the correct preparation, review, presentation and disclosures of our Consolidated Financial Statements. We are continuing to monitor, evaluate and test the operating effectiveness of these controls.

Other than indicated above, there were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on the Effectiveness of Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

DIRECTORS, EXECUTIVE OFFICERS AND KEY EMPLOYEES

The following table sets forth information as of June 5, 2006 regarding the members of our board of directors and our executive officers. All directors hold office until the next annual meeting of shareholders and the election and qualification of their successors. Officers are elected annually by the board of directors and serve at the discretion of the board.

Name	Age	Position	Since
Ivan Zweig	33	CEO and Chairman Interim CFO	January 2005 August 2005
Lance K. Stovall	37	Director	March 2006
Ken A. Willey	31	Director	March 2006
Alex Ponnath	38	Chief Technology Officer(1)	January 2005

(1) Although Mr. Ponnath is referred to as Chief Technology Officer, he is an independent contractor and not an employee of IElement.

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IVAN ZWEIG (age 33). Mr. Zweig has been our Chairman and Chief Executive Officer since January 2005, and has been interim Chief Financial Officer since August 2005. Mr. Zweig is also the Chief Executive Officer, director and sole shareholder of Kramerica, a personnel services corporation. Since December 1998, Mr. Zweig has served as the Chief Executive Officer and director of Integrated Communications Consultants Corp. ("ICCC"), a nationwide data carrier specializing in high speed Internet access and secure data transaction. From February 1998 until March 1999 Mr. Zweig was the Western Region Dedicated Sales Manager of NET-tel Communications. He was responsible for Internet sales for 52 reps in the Western Region. Previously he employed by MidCom Communications, where he was a Sales Manager after being an Account Executive for a short time. Despite his association with ICCC Mr. Zweig devotes a minimum of forty hours per week to IElement.

MidCom was purchased by Winstar whereupon all of the management team migrated over to NET-tel. Before Midcom, Mr. Zweig helped form a joint venture of five individuals who invested over $500,000 to fund a health food and nutrition franchise called Smoothie King. He purchased the rights to build 18 stores in the San Francisco Bay Area and sold his interest after building the first two. Additionally, in 1995 he started a city magazine called Dallas/Ft.Worth Lifestyles. This was Mr. Zweig's first employment venture after college and a brief stint of playing professional baseball. He attended Tulane University and was a member of Team USA in 1991, which played in Cuba for the Pan American Games. He was also a two-time All-American pitcher while at Tulane. Mr. Zweig left Tulane before earning a degree.

Additionally, Ivan Zweig, our current Chairman of the Board and Chief Executive Officer of, has accepted our appointment as the Chief Financial Officer until such time as a new Chief Financial Officer is appointed.

LANCE K. STOVALL (age 37). Mr. Stovall attended Texas Christian University from 1987 to 1991 where he earned a B.S. in Neuroscience. From

September 2005 to the present Mr. Stovall has been the President of Lone Star Valet in Dallas, Texas. From October 2003 through September 2005, Mr. Stovall was Vice President of Business Development of IElement. Mr. Stovall left his employ with IElement for personal reasons and not as a result of any disagreement with the Company. From October 1999 through September 2003, Mr. Stovall worked for and was a co-founder of Zone Communications in Los Angeles, California. In 1998 and 1999 Mr. Stovall was Director of Operations of Lone Star Valet in Dallas, Texas. From 1993 to 1998 Mr. Stovall was founder and Vice President of Operations for Excel Student Services in Arlington, Texas.

Mr. Stovall entered into a Directors Agreement with IElement whereby he agreed to maintain the confidentiality of our trade secrets and proprietary information and to refrain from soliciting our employees or customers for a period of two years following the term of the Director's Agreement. We agreed to hold Mr. Stovall harmless and indemnify him in his position as a Director, where he has acted in good faith in the performance of his duties. Finally we agreed to compensate Mr. Stovall with 250,000 stock options exercisable at $.01 per share and vesting 62,500 each on June 4, 2006, September 4, 2006, December 4, 2006 and March 4, 2007.

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KEN A. WILLEY (age 31). From 2005 through the present, Mr. Willey has been employed with Noble Royalties, Inc. From 2004 through 2005 Mr. Willey was regional director of McLeod USA. From 2000 through 2004 Mr. Willey was District Sales Manager at Logix. From 1997 through 2000 Mr. Willey was District Sales Manager for Verizon and from 1992 through 1997 Mr. Willey worked in various capacities at Circuit City.

Mr. Willey entered into a Directors Agreement with IElement whereby he agreed to maintain the confidentiality of our trade secrets and proprietary information and to refrain from soliciting our employees or customers for a period of two years following the term of the Director's Agreement. We agreed to hold Mr. Stovall harmless and indemnify him in his position as a Director, where he has acted in good faith in the performance of his duties. Finally we agreed to compensate Mr. Willey with 250,000 stock options exercisable at $.01 per share and vesting 62,500 each on June 4, 2006, September 4, 2006, December 4, 2006 and March 4, 2007.

ALEX PONNATH (age 38). Mr. Ponnath attended the University of Munich in Munich, Germany where he earned a degree in Communications, then moved to the United States in 1993. In 1990 Mr. Ponnath was a founding partner of Outdoor Advertising and Sports Marketing Firm, which later he sold to Germany's largest outdoor advertiser. He moved to the United States in 1993. From 1996 through 1999 he worked for the Los Angeles based interconnect firm Nextcom and assumed the roll of Senior Network Engineer. From 1999 through 2000 Mr. Ponnath was a shareholder and Chief Technology Officer for NKOB Networks, a Los Angeles ISP. Mr. Ponnath has worked for ICCC, a related party of IElement as Chief Technology Officer since February 2000, and then IElement, as Chief Technology Officer since January 2005. Mr. Ponnath is an independent contractor.

Resignations. On August 3, 2005 we accepted the resignations of Timothy Dean-Smith and Susan Walton from their positions on the Board of Directors. Mr. Dean-Smith also resigned from his position as Chief Financial Officer of the Company. The resignations of Mr. Dean-Smith and Ms. Walton are consistent with the expectations of the parties pursuant to the consummation of the merger between iElement, Inc. and Mailkey Corporation (the merged entity currently known as IElement Corporation) on January 19, 2005.

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ITEM 10. EXECUTIVE COMPENSATION

(a) Compensation.

The following table sets forth compensation awarded to, earned by or paid to the Company's Chief Executive Officer and the four other most highly compensated executive officers with compensation in excess of $100,000 for the three years ended March 31, 2006, 2005 and 2004 (collectively, the "Named Executive Officers").

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SUMMARY COMPENSATION TABLE

		Annual Compensation		Long Term Compensation Awards		
Name and Principal Position	Year	Salary ($)	Bonus ($)	Restricted Stock Award(s)	Securities Underlying Options/ Warrants	All other compensation ($)
Ivan Zweig, CEO*	2006	300,000	0	0	0	0
	2005	300,000	45,000	85,000	0	0
	2004	75,000	15,000	0	0	0
Alex Ponnath, CTO**	2006	132,000	0	0	0	0
	2005	132,000	6,333	0	0	0
	2004	33,000	0	0	0	0
Timothy Dean-Smith***	2006	0	0	0	0	0
	2005	137,448	0	0	0	0
	2004	136,500	0	0	0	0

Graham Norton-Standen****	2004	7,182	0	0

</TABLE>

* Includes payments made to Kramerica, Inc.

** All payments were made to Mr. Ponnath's corporate entity Obelix, Inc.

*** On August 8, 2005 Timothy Dean-Smith resigned as Chief Financial Officer. Mr. Dean-Smith was a former officer and director of MailKey.

**** Former Chief Executive Officer and Secretary of MailKey

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The following tables show, as to the named executive officers, certain information concerning stock options:

<TABLE>

OPTION GRANTS DURING 2006

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE
<S>	<C>		<C>	<C>
Calder Capital Inc.	250,000		$0.10	12/30/2007
Christiane Loeberbauer	125,000		$0.10	12/30/2007
Clarence V. Keck Jr	75,000		$0.10	12/30/2007
Film and Music Entertainment, Inc.	500,000		$0.10	12/30/2007
Frank A. Davis	100,000		$0.10	12/30/2007
Fred J. Matulka	250,000		$0.10	12/30/2007
Fred Schmitz	2,500,000		$0.10	12/30/2007
General Research GMBH	250,000		$0.10	12/30/2007
Gerd Weger	5,000,000		$0.10	12/30/2007
Glenn L. Jensen	1,500,000		$0.10	12/30/2007
Global Equity Trading & Finance LTD.	250,000		$0.10	12/30/2007

Global Equity Trading & Finance LTD.		1,000,000
$0.10	12/30/2007	
Hendrik Paulus		250,000
$0.10	12/30/2007	
Holger Pfeiffer		125,000
$0.10	12/30/2007	
Jerome Niedfelt		150,000
$0.10	12/30/2007	
John Niedfelt		100,000
$0.10	12/30/2007	
Jonathan Lowenthal		250,000
$0.10	12/30/2007	
Jorn Follmer		250,000
$0.10	12/30/2007	
Jurgen Popp		750,000
$0.10	12/30/2007	
Kenneth J. Meyer		500,000
$0.10	12/30/2007	
Laurence B. Straus		150,000
$0.10	12/30/2007	
Marianne Issels		125,000
$0.10	12/30/2007	
Matthias Graeve		125,000
$0.10	12/30/2007	
Michael Bloch		1,000,000
$0.10	12/30/2007	
Michael D. Melson		250,000
$0.10	12/30/2007	
Oscar Greene Jr.		250,000
$0.10	12/30/2007	
Raymond R. Dunwoodie		250,000
$0.10	12/30/2007	
Red Giant Productions, Inc.		250,000
$0.10	12/30/2007	
Richard R. Crose		250,000
$0.10	12/30/2007	
Robert A. Flaster		100,000
$0.10	12/30/2007	
Robert A. Smith		150,000
$0.10	12/30/2007	
Robert H. Gillman		250,000
$0.10	12/30/2007	
Robert R. Rowley		250,000
$0.10	12/30/2007	
Ryan Cornelius		750,000
$0.10	12/30/2007	
Sat Paul Dewan		150,000
$0.10	12/30/2007	
Stefan Muller		250,000
$0.10	12/30/2007	
Thomas Allen Piscula		250,000
$0.10	12/30/2007	
Thomas W. Barrett		100,000
$0.10	12/30/2007	
Thomas Weiss Dr.		125,000
$0.10	12/30/2007	
Timothy M. Broder		250,000
$0.10	12/30/2007	
Trey Investments, LLP		75,000
$0.10	12/30/2007	
Ulrich Nusser		125,000

$0.10	12/30/2007		
Veronica Kristi Prenn		750,000	
$0.10	12/30/2007		
Wayne P. Schoenmakers		50,000	
$0.10	12/30/2007		
William G. Cail		12,500	
$0.10	12/30/2007		
William Harner		75,000	
$0.10	12/30/2007		
William M. Goatley Revocable Trust FBO William M Goatley DTD 5/9/89		125,000	
$0.10	12/30/2007		
Vista Capital		2,617,188	
$0.10	9/12/2010		
Vista Capital		1,046,874	
$0.13	9/12/2010		
Vista Capital		261,719	
$0.10	9/12/2010		
Rockwell Capital		4,000,000	
$0.10	12/31/2008		
Stefan Muller		100,000	
$0.01	3/6/2016		
Fred Schmitz		100,000	
$0.01	3/6/2016		
Ivan Zweig		250,000	
$0.01	3/4/2016		
Lance Stovall		250,000	
$0.01	3/4/2016		
Ken Willey		250,000	
$0.01	3/4/2016		
Debra Chase		50,000	17.54%
$0.01	9/8/2015		
Brett Jensen		30,000	10.53%
$0.01	9/8/2015		
Albert Marerro		50,000	17.54%
$0.01	9/8/2015		
Eric Mason		5,000	1.75%
$0.01	9/8/2015		
Mark Mooney		20,000	7.02%
$0.01	9/8/2015		
Alex Nelson		40,000	14.04%
$0.01	9/8/2015		
Heather Walther		40,000	14.04%
$0.01	9/8/2015		
Peter Walther		50,000	17.54%
$0.01	9/8/2015		
		31,723,281	100.00%

AGGREGATED OPTIONS EXERCISES IN LAST FISCAL YEAR

AND FY-END OPTION VALUES

	SHARES		EXERCISABLE	UNEXERCISABLE
	ACQUIRED	VALUE	OPTIONS OR	OPTIONS OR
NAME	ON EXERCISE	REALIZED	WARRANTS	EXERCISE

EXERCISABLE UNEXERCISABLE

WARRANTS	PRICE	MARKET VALUE	MARKET VALUE	
AK Asset Management	$0.10	$5,000.00	$0.00	500,000
Amaltea SA	$0.10	$2,500.00	$0.00	250,000
Annette Bohmer	$0.10	$2,500.00	$0.00	250,000
Bellano Family Trust	$0.10	$1,500.00	$0.00	150,000
Benjamin S. Eichholz	$0.10	$7,500.00	$0.00	750,000
Calder Capital Inc.	$0.10	$2,500.00	$0.00	250,000
Christiane Loeberbauer	$0.10	$1,250.00	$0.00	125,000
Clarence V. Keck Jr	$0.10	$750.00	$0.00	75,000
Film and Music Entertainment, Inc.	$0.10	$5,000.00	$0.00	500,000
Frank A. Davis	$0.10	$1,000.00	$0.00	100,000
Fred J. Matulka	$0.10	$2,500.00	$0.00	250,000
Fred Schmitz	$0.10	$25,000.00	$0.00	2,500,000
General Research GMBH	$0.10	$2,500.00	$0.00	250,000
Gerd Weger	$0.10	$50,000.00	$0.00	5,000,000
Glenn L. Jensen	$0.10	$15,000.00	$0.00	1,500,000
Global Equity Trading & Finance LTD.	$0.10	$2,500.00	$0.00	250,000
Global Equity Trading & Finance LTD.	$0.10	$10,000.00	$0.00	1,000,000
Hendrik Paulus	$0.10	$2,500.00	$0.00	250,000
Holger Pfeiffer	$0.10	$1,250.00	$0.00	125,000
Jerome Niedfelt	$0.10	$1,500.00	$0.00	150,000
John Niedfelt	$0.10	$1,000.00	$0.00	100,000
Jonathan Lowenthal	$0.10	$2,500.00	$0.00	250,000

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SHARES EXERCISABLE

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UNEXERCISABLE                    EXERCISABLE     UNEXERCISABLE
                                        ACQUIRED        VALUE            OPTIONS OR      OPTIONS
OR    EXERCISE
NAME                                    ON EXERCISE   REALIZED           WARRANTS
WARRANTS       PRICE       MARKET VALUE      MARKET VALUE
----                                    -----------   --------           --------
--------       -----       ------------      ------------

Jorn Follmer                                                              250,000
       $0.10        $2,500.00          $0.00
Jurgen Popp                                                               750,000
       $0.10        $7,500.00          $0.00
Kenneth J. Meyer                                                          500,000
       $0.10        $5,000.00          $0.00
Laurence B. Straus                                                        150,000
       $0.10        $1,500.00          $0.00
Marianne Issels                                                           125,000
       $0.10        $1,250.00          $0.00
Matthias Graeve                                                           125,000
       $0.10        $1,250.00          $0.00
Michael Bloch                                                           1,000,000
       $0.10       $10,000.00          $0.00
Michael D. Melson                                                         250,000
       $0.10        $2,500.00          $0.00
Oscar Greene Jr.                                                          250,000
       $0.10        $2,500.00          $0.00
Raymond R. Dunwoodie                                                      250,000
       $0.10        $2,500.00          $0.00
Red Giant Productions, Inc.                                               250,000
       $0.10        $2,500.00          $0.00
Richard R. Crose                                                          250,000
       $0.10        $2,500.00          $0.00
Robert A. Flaster                                                         100,000
       $0.10        $1,000.00          $0.00
Robert A. Smith                                                           150,000
       $0.10        $1,500.00          $0.00
Robert H. Gillman                                                         250,000
       $0.10        $2,500.00          $0.00
Robert R. Rowley                                                          250,000
       $0.10        $2,500.00          $0.00
Ryan Cornelius                                                            750,000
       $0.10        $7,500.00          $0.00
Sat Paul Dewan                                                            150,000
       $0.10        $1,500.00          $0.00
Stefan Muller                                                             250,000
       $0.10        $2,500.00          $0.00
Thomas Allen Piscula                                                      250,000
       $0.10        $2,500.00          $0.00
Thomas W. Barrett                                                         100,000
       $0.10        $1,000.00          $0.00
Thomas Weiss Dr.                                                          125,000
       $0.10        $1,250.00          $0.00
Timothy M. Broder                                                         250,000
       $0.10        $2,500.00          $0.00
Trey Investments, LLP                                                      75,000
       $0.10          $750.00          $0.00
Ulrich Nusser                                                             125,000
       $0.10        $1,250.00          $0.00
Veronica Kristi Prenn                                                     750,000
       $0.10        $7,500.00          $0.00
Wayne P. Schoenmakers                                                      50,000
       $0.10          $500.00          $0.00
William G. Cail                                                            12,500
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$0.10 $125.00 $0.00
William Harner 75,000
$0.10 $750.00 $0.00
William M. Goatley Revocable
Trust FBO William M Goatley
DTD 5/9/89 125,000
$0.10 $1,250.00 $0.00
Vista Capital 2,617,188
$0.10 $26,171.88 $0.00
Vista Capital 1,046,874
$0.13 $0.00 $0.00
Vista Capital 261,719
$0.10 $2,617.19 $0.00
Rockwell Capital 1,000,000
3,000,000 $0.10 $10,000.00 $30,000.00
Stefan Muller
100,000 $0.01 $0.00 $10,000.00
Fred Schmitz
100,000 $0.01 $0.00 $10,000.00
Ivan Zweig
250,000 $0.01 $0.00 $25,000.00
Lance Stovall
250,000 $0.01 $0.00 $25,000.00
Ken Willey
250,000 $0.01 $0.00 $25,000.00
Debra Chase
50,000 $0.01 $0.00 $5,000.00
Brett Jensen
30,000 $0.01 $0.00 $3,000.00
Albert Marerro
50,000 $0.01 $0.00 $5,000.00
Eric Mason
5,000 $0.01 $0.00 $500.00
Mark Mooney
20,000 $0.01 $0.00 $2,000.00
Alex Nelson
40,000 $0.01 $0.00 $4,000.00
Heather Walther
40,000 $0.01 $0.00 $4,000.00
Peter Walther
50,000 $0.01 $0.00 $5,000.00
$0.00 $0.00 27,488,281
4,235,000 $264,414.07 $153,500.00
</TABLE>

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EMPLOYMENT CONTRACTS

On January 18, 2005 we entered into an Employment Agreement with Mr. Zweig in the form of a Binding Letter of Intent. Pursuant to the Agreement Mr. Zweig is the Chief Executive Officer of the Company. The terms of the agreement are as follows. Mr. Zweig's base salary in the amount of $25,000.00 per month is to be paid to Kramerica Capital Corporation, a company for which Mr. Zweig is the sole shareholder, officer and director. Mr. Zweig receives benefits offered to other employees of the Company and is to receive 4 weeks of vacation per year. Mr. Zweig's reasonable expenses are to be reimbursed. Upon termination without cause, all Notes due and owing to Mr. Zweig or his entities are to be paid in full, all outstanding options are to accelerate and fully vest and be paid in full, all earned performance bonuses must be paid in full, and all accrued vacation pay and other outstanding benefits are to be paid in full. If Mr. Zweig is terminated for cause, all Notes and other obligations are to be paid within 60 days. In addition, the Agreement provides for bonus payments following the end of the 12th month as follows: for months 13 through 24, a $1,000,000 bonus calculated on the closing average revenue number and EDITDA for months 22 through 24 which revenue number must be $1,250,000 ($15,000,000 annualized) per month and EBITDA of 15%; for months 25-36 a $2,000,000 bonus if actual revenue during months 25-36 reaches $22,500,000 and EBITDA of 18%; and for months 37-48 a $3,000,000 bonus if actual revenue during months 37-48 reaches $30,000,000 and EBITDA of 21%. Bonuses are payable in promissory notes. The term of the Agreement is 48 months, provided however, that the Agreement may be immediately terminated if the Notes due to Mr. Zweig are declared in default. Although the Notes are 6 months behind, Mr. Zweig has not declared a default or terminated the employment agreement. Clause 10 to the employment contract inadvertently stated "intentionally omitted" rather than "reserved for future use".

We do not have an employment contract with any other executive officer. We may in the future create retirement, pension, profit sharing and medical reimbursement plans covering our Executive Officers and Directors.

(h) The company has made no Long Term Compensation payouts (LTIP or other)

Directors Compensation

Our former Director Susan Walton received compensation of $30,000 during the fiscal year end March 31, 2005 and $20,000 during the fiscal year end March, 2006 for serving on the Board of Directors of the Company.

We agreed to compensate Mr. Stovall with 250,000 stock options exercisable at $.01 per share and vesting 62,500 each on June 4, 2006, September 4, 2006, December 4, 2006 and March 4, 2007. In addition, we agreed to compensate Mr. Willey with 250,000 stock options exercisable at $.01 per share and vesting 62,500 each on June 4, 2006, September 4, 2006, December 4, 2006 and March 4, 2007.

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ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth as of June 27, 2006, the number of outstanding common shares of Company beneficially owned by (i) each person known to the Company to beneficially own more than 5% of its outstanding common shares, (ii) each director, (iii) each nominee for director, (iv) each executive officer listed in the Summary Compensation Table, and (iv) all executive officers and directors as a group.

Owner	Common Shares(2)	Percentage
Ivan Zweig(1)	18,967,576(1)	11.95%

Barry Brault(3)	10,032,682	6.31%
Gerd Weger(4)	15,000,000	9.45%
Officers and directors as a group (3 persons)	44,000,258	27.71%

(1) An officer and director. Comprised of 85,000 shares of common stock owned by Mr. Zweig individually; 18,685,966 shares of common stock owned by Kramerica Corporation, an entity in which Mr. Zweig is the sole shareholder, officer and director; and 196,610 shares of common stock owned by Mr. Zweig's spouse.

(2) Includes common shares underlying warrants and vested options and warrants and options which shall become exercisable or vest within 60 days from the date of this prospectus.

(3) A beneficial owner of more than 5% of outstanding common shares

(4) A beneficial owner of more than 5% of outstanding common shares

There are no family relationships among our directors and executive officers. Except as set forth below, no director or executive officer has been a director or executive officer of any business which has filed a bankruptcy petition or had a bankruptcy petition filed against it. No director or executive officer has been convicted of a criminal offense or is the subject of a pending criminal proceeding. No director or executive officer has been the subject of any order, judgment or decree of any court permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities. No director or officer has been found by a court to have violated a federal or state securities or commodities law.

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ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None of our directors or executive officers or their respective immediate family members or affiliates is indebted to us. As of the date of this prospectus, there is no material proceeding to which any of our directors, executive officers or affiliates is a party or has a material interest adverse to us.

Mr. Zweig is also the Chief Executive Officer, director and sole shareholder of Kramerica, a personnel services corporation. Since December 1998, Mr. Zweig has served as the Chief Executive Officer and director of Integrated Communications Consultants Corp. ("ICCC"), a nationwide voice and data carrier specializing in high speed Internet access and secure data transaction. ICCC provides IElement with resold telecom services and IElement pays ICCC approximately $100,000 on a monthly basis for such services. On October 1, 2004, ICCC filed for Chapter 11 bankruptcy protection in the United States Bankruptcy Court, Northern District of Texas, Dallas Division. ICCC's plan of reorganization was approved by the Bankruptcy Court on April 26, 2006.

On January 19, 2005, IElement issued promissory notes to, Kramerica, certain members of Mr. Zweig's immediate family and others in the aggregate amount of $376,956.16 (the "Notes") with no interest. Upon issuance, the Notes were payable in 36 monthly installments with the first payment commencing six months after the closing of the merger and were secured by substantially all of the assets of IElement. IElement did not make any payments on the Notes.

On March 25, 2006 each of the Notes were cancelled and IElement issued new convertible promissory notes to the same individuals in the same principal amount of $376,956.16, again with no interest thereon. In particular, both the January 19, 2005 Notes and the amended March 25, 2006 convertible promissory notes were issued to: Heather Walther, Mr. Zweig's wife ($20,000); Kramerica, Inc., Mr. Zweig's personal use corporation ($120,000); Mary Francis Trait Trust, Mr. Zweig's deceased grandmother's trust for which Mr. Zweig's mother, Heather Zweig serves as trustee ($55,611.15); Peter Walther, Mr. Zweig's brother in law ($30,000); Richard Zweig and Richard Zweig IRA, Mr. Zweig's father (aggregate of $47,500); and Strait Grandchildren Trust, Mr. Zweig's deceased grandmother's trust for which Mr. Zweig's mother, Heather Zweig serves as trustee ($103,845.01). The first payment on each of the new convertible promissory notes is due in September 2006 with a total of 36 monthly installments through August 2009. The Lender has the right to convert all or a portion of the outstanding balance, at any time until the notes are paid in full, into IElement's common stock at a conversion price of $0.035 per share. Any past due balance on the old Notes was forgiven at the time of cancellation of the old Notes and issuance of the new convertible promissory notes. The new convertible promissory notes are secured by substantially all the assets of IElement as were the original Notes.

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ITEM 13. EXHIBITS

(a) Financial Statements and Schedules. The following financial statements and schedules for the Company as of March 31,2006 are filed as part of this report.

(1) Financial statements of the IElement, Inc. and subsidiaries.

(2) Financial Statement Schedules:

All schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(b) Reports on Form 8-K

EXHIBIT INDEX

Exhibit No.	Description of Exhibits
2.1	Agreement and Plan of Merger, dated February 20, 2004, by and among Global Diversified Acquisition Corp., G.D. Acquisition Corp., MK Secure Solutions Limited and Westvale Consulting Limited.*
2.2	First Amendment to Agreement and Plan of Merger, dated March 23, 2004,

by and among Global Diversified Acquisition Corp., G.D. Acquisition Corp., MK Secure Solutions Limited and Westvale Consulting Limited. *

2.3 Agreement and Plan of Merger, dated November 9, 2004, by and among Mailkey Corporation, Mailkey Acquisition Corp., IElement, Inc. and Ivan Zweig. *

2.4 First Amendment and Waiver to Agreement and Plan of Merger, dated December 30, 2004, by and among Mailkey Corporation, Mailkey Acquisition Corp., IElement, Inc. and Ivan Zweig. *

3(i).1 Articles of Incorporation. *

3(i).2 Amendment to Articles of Incorporation*

3(i).3 Amendment to Articles of Incorporation*

3(i).4 Amendment to Articles of Incorporation*

3(i).5 Certificate of Correction*

3(i).6 Amended Articles of Incorporation of Mailey Corporation dated August 1, 2005. *

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Exhibit No.	Description of Exhibits
3(ii)	Restated By-Laws of IElement*
10.1	Employment Agreement with Ivan Zweig in the form of Binding Letter of Intent dated January 18, 2005*
10.2	Form of Warrant*
10.3	Form of Amended and Restated Convertible Secured Promissory Notes dated March 25, 2006*
10.4	Integrated Communications Consultants Corporation Master Services Agreement by and between Integrated Communications Consultants Corporation and IElement, Inc. dated April 30, 2003. *
10.5	Lease Agreement between IElement, Inc. and 13714 Gamma, Ltd dated June 9, 2005. *
10.6	Form of Vista Capital warrant*
21.0	List of Subsidiaries**
31.1	Certification pursuant to Sarbanes-Oxley Sec. 302
32.1	Certification pursuant to 18 U.S.C. Sect. 1350

* Previously filed with Amendment No. 2 to Registration Statement on Form SB-2 filed on June 6, 2006.

** Previously filed with Amendment No. 3 to Registration Statement on Form SB-2 filed on July 18, 2006.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES

The Company was billed $47,750 for the fiscal year ended March 31, 2006 and $19,500 for the fiscal year ended March 31, 2005, for professional services rendered by the principal accountant for the audit of the Company's annual financial statements, the review of our quarterly financial statements, and other services performed in connection with our statutory and regulatory filings. These services also included updating the audits for our registration statement and review of the quarterly financial statements of the Company's acquiree.

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AUDIT RELATED FEES

There were $12,000 in audit related fees for the fiscal years ended March 31, 2006 and audit related fees are included in the audit fees for fiscal year end March 31, 2005. Audit related fees include fees for assurance and related services rendered by the principal accountant related to the audit or review of our financial statements, not included in the foregoing paragraph.

TAX FEES

Tax fees were $700 for the fiscal year ended March 31, 2006.

ALL OTHER FEES

There were no other professional services rendered by our principal accountant during the last two fiscal years that were not included in the above paragraphs.

The Company's Board of Directors reviews and approves audit and permissible non-audit services performed by its independent accountants, as well as the fees charged for such services. In its review of non-audit service fees and its appointment of Bagell, Josephs & Levine, CPA's as the Company's independent accountants, the Board of Directors considered whether the provision of such services is compatible with maintaining independence.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 20, 2006

IELEMENT CORPORATION

By: /s/ Ivan Zweig

Name: Ivan Zweig
Title: Chief Executive Officer,
Chairman and Principal Accounting Officer
Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

IVAN ZWEIG

/s/ Ivan Zweig

Name: Ivan Zweig
Title: Chief Executive Officer,
Chairman, Chief Financial Officer and
Principal Accounting Officer
Director

LANCE K. STOVALL

/s/ Lance K. Stovall

Name: Lance K. Stovall
Title: Director

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