

NEWS RELEASE

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FullNet Reports 30% Improvement in Second Quarter Operating Results

OKLAHOMA CITY, OK – FullNet Communications, Inc. (“FullNet”)(FULO – OTC Bulletin Board) today announced a loss from operations for the quarter ended June 30, 2001, of \$427,000. This represents a 30% improvement over the prior year corresponding quarter’s loss from operations of \$611,000. The Company reported a net loss of \$949,000 for the quarter, compared to a net loss of \$906,000 for the comparable 2000 period.

Included in the Company’s results for the three months ended June 30, 2001 were \$658,000 in non-cash charges, consisting of (i) debt conversion expense of \$370,000, (ii) amortization of discount relating to financing of \$49,000, and (iii) depreciation and amortization of \$239,000.

Commenting on the Company’s improved performance, founder and CEO Timothy J. Kilkenny said, “We are proud of the progress that we have made this quarter, in particular the IPDataCom asset acquisition and the conversion of \$1.8 million of accrued interest and debt into equity. As a result of these transactions, we are well on our way to achieving positive Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization), which we hope to reach in the fourth quarter of this year.”

Adjusted EBITDA, which excludes (i) stock, options and warrants issued for services, (ii) amortization of discount relating to financing, and (iii) debt conversion expense, was \$(186,000) and \$(254,000) for the quarters ending June 30, 2001 and 2000, respectively.

FullNet is a facilities-based Integrated Communications Provider headquartered in Oklahoma City, engaged in consumer and business Internet services, including 1) dial-up, DSL, dedicated and broadband wireless access, with customers in 25 communities in Oklahoma, and 2) web hosting, server co-location and telecommunications premise co-location, with customers throughout the United States and more than 40 foreign countries. For more information, visit the Company's web site at www.fullnet.net.

Certain statements in this release may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Certain, but not necessarily all, of such forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates," "believes," "expects," "may," "will," or "should" or other variations thereon, or by discussions of strategies that involve risks and uncertainties. The actual results of the Company or industry results may be materially different from any future results expressed or implied by such forward-looking statements.

FullNet Communications, Inc. and Subsidiaries

Consolidated Statements of Operations (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
REVENUES:				
Access service revenues	\$ 291,577	\$ 301,201	\$ 582,901	\$ 477,347
Co-location and other revenues	<u>217,192</u>	<u>223,198</u>	<u>458,802</u>	<u>387,055</u>
Total revenues	508,769	524,399	1,041,703	864,402
OPERATING COSTS AND EXPENSES:				
Cost of access service revenues	173,450	134,214	318,216	221,406
Cost of co-location and other revenues	36,186	88,782	70,171	150,663
Selling, general and administrative expenses	486,537	709,060	1,272,650	1,173,101
Depreciation and amortization	<u>239,133</u>	<u>203,560</u>	<u>466,580</u>	<u>333,745</u>
Total operating costs and expenses	<u>935,306</u>	<u>1,135,616</u>	<u>2,127,617</u>	<u>1,878,915</u>
LOSS FROM OPERATIONS	(426,537)	(611,217)	(1,085,914)	(1,014,513)
INTEREST EXPENSE	(151,667)	(281,370)	(403,990)	(343,701)
DEBT CONVERSION EXPENSE	(370,308)	-	(370,308)	-
OTHER EXPENSE	<u>-</u>	<u>(13,724)</u>	<u>-</u>	<u>(18,213)</u>
NET LOSS	<u>\$ (948,512)</u>	<u>\$(906,311)</u>	<u>\$(1,860,212)</u>	<u>\$(1,376,427)</u>
Net loss per common share				
Basic and diluted	<u>\$ (.18)</u>	<u>\$ (.28)</u>	<u>\$ (.39)</u>	<u>\$ (.48)</u>
Weighted average number of common shares				
Outstanding				
Basic and diluted	<u>5,350,456</u>	<u>3,205,319</u>	<u>4,732,657</u>	<u>2,883,182</u>