

IWEB GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED JUNE 30, 2005

The following discussion and analysis should be read in conjunction with the audited financial statements of iWeb Group Inc. and notes thereto for the year ended September 30, 2004.

Overview

From its very modern data center built over the last year, the Company offers advanced hosting solutions for web sites such as dedicated hosting, shared hosting, server co-location and domain name registration.

In the last year, the Company acquired a building and renovated it to include multiple state of the art equipment for dark fibers, redundant power supply, uninterrupted power source batteries, performance air conditioning in order to offer its clients the most reliable data center possible. In the first quarter, the Company acquired additional electrical equipment to complete the power supply safety and reliability of the data center. These installations were completed in the second quarter and financing for such was put in place. These last installations complete the data center which will require no further investments in the future. Putting in place a state of the art data center was essential to the future of the Company as we will explain further.

Results

Revenues

In the three month and nine month periods ended June 30, 2005, compared to the same periods for 2004, revenues increased by \$ 289,024 (59%) and \$ 684,620 (51%) respectively to \$ 777,484 and \$ 2,028,863. While the increase of revenues of 2004 over 2003 was modest (12%) the Company foresees an 80% increase of revenues for 2005 over 2004. This increase is due to the data center, the perfect tool for marketing dedicated servers through add campaigns on specialized web sites and engines. The Company aims at increasing its recurring revenues by at least \$ 12,000 every month to the end of the year and beyond. This was achieved for the three months of this quarter.

Cost of services sold

For the three months, cost of services sold went from \$ 223,268 or 46% of sales in 2004 to \$ 349,974 or 45% of sales in 2005. For the nine month period, cost of services sold increased from 42% to 46%. Management believes that cost of services sold will stabilize at 45% in the future.

Operating expenses

Operating expenses, especially sales expenses, have considerably increased in both the three and nine month periods. The company added two account managers to its sales force and spends \$ 12,000 to \$ 15,000 in adds, every month on specialized web sites to better offer its products and their advantages. As this marketing effort has proven profitable, it will continue in the future.

Cash Flows

Net earnings and amortization generated \$ 125,019 and \$ 333,430 for the three month and the nine month periods against repayment of long term debt of \$ 42,017 and \$ 94,786 respectively. This cash flow generation is one of the main criteria to allow the Company to increase its borrowings. The Company's growth depends on its capacity to rent additional dedicated servers, which need to be financed through borrowings and only by demonstrating profitability and cash flow generation will the Company be able to borrow sufficiently.

During the quarter ended June 30, 2005, the Company has put in place a US \$ 250,000 line of credit for the purchase of servers. As of June 30, 2005, US \$ 79,000 (CDN \$ 97,610) had been used. This credit bears interest at 11.95% and is repayable by blended payments of CDN \$ 4,547 per month for 24 months. Management expects the line of credit to be fully used by September or October.

The Company is presently negotiating second line of credit to purchase servers, which lines would be sufficient for the Company's needs from October 2005 to February 2006.. The Company expects a positive outcome in the next few weeks.

Balance Sheet

The Company's balance sheet shows a low level of accounts receivable, \$ 161,594, as of June 30, 2005. This is due to the fact that the Company is usually paid in advance for its services. To encourage these pre-payments the Company allows discounts of up to ten percent for a prepayment of twelve months. The credit side of these prepayments is a deferred income which amounts to a considerable sum in the circumstances, proving the success of the policy of the Company who benefits from these funds. Deferred income amounted to \$ 622,272 at June 30, 2005 and represents the backlog of the Company.

Risks and uncertainties

The company is subject to a number of business risks inherent in its industry, including competitive pressure, technological changes and foreign exchange.

The market of the Company is highly competitive. It offers a high level of customer service and the highest quality of product available at what it believes is competitive prices. Even though customer retention rates are very high, competition may force the Company to reduce prices and thus profitability.

The Company operates in a technological environment that evolves rapidly. A major shift in communications technology may affect the whole industry in ways that are impossible to foresee at the present.

About 30% of the Company's revenues are denominated in US currency.

Outlook

Now that the new data center is fully operational, a major sales effort has been undertaken in 2005 and will continue in 2006. The emphasis will be on dedicated servers ie: servers owned by the Company and rented for the exclusive use of a customer in the secure environment of the Company's data center for a monthly fee under an agreement of up to twelve months. We expect that dedicated server revenues will have a major impact on the results of the Company in 2005. In addition, the Company is developing its server administration service whereby, for a fixed fee, the clients entrust complete control of its servers to the network administrators of the Company.

FORWARD LOOKING STATEMENTS

This discussion and analysis includes certain forward looking statements in respect to various issues including upcoming events. These include risks and uncertainties known and unknown which could substantially affect the future results of the Company. These risks and uncertainties include amongst other, uncertainties related to the business plan in the web hosting sector, competition, financial markets and access to such, as much as uncertainties tied to changes in the economic environment, the technology sector and society in general.

Additional information on iWeb Group Inc. can be found on the Sedar web site at www.sedar.com

(signed) *Eric Chouinard*
Éric Chouinard, director
President and CEO

(signed) *Martin Leclair*
Martin Leclair, director
Vice-president and COO