

**IWEB GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED JUNE 30, 2006**

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of iWeb Group Inc. and notes thereto for the year ended September 30, 2005.

Overview

Over the 2004/2005 financial year, the growth of the Company has been outstanding and this trend was confirmed by the results of the first three quarters of this year. The growth of the last twenty one months is exclusively the result of internal efforts of the Company and not growth from acquisitions. The physical infrastructure has to follow closely and a second data center became a necessity.

This second data center is located on Couture street in Montreal and welcomed its first customers and servers late June. The new center has required disbursement of 2M\$ for its first phase including the acquisition of a building, its improvements with amongst other things elevated floors and suspended ceilings, a new electrical entrance, a generator, a UPS (uninterruptible power supply) and an air conditioning system all of which to accommodate 2 000 servers at first. The second phase of the project is already under study. Eventually, the second data center will accommodate 12,000 servers and 200 co-location cabinets. The operation of the Hochelaga center will continue as before.

Results

Revenues

Revenues for the third quarter and the first nine month period ended June 30, 2006, are double the revenues of the corresponding periods in 2005. Revenues were \$1,538,969 for the third quarter (\$777,484 in 2005) and \$4,059,203 for the first nine months (\$2,028,863 in 2005). Management believes that this trend will continue.

Cost of services sold

Cost of services sold decreased by 2.3% and 2.5% of revenues for the three and nine month periods, compared to last year, to 42.7% of revenues. The decrease is due to the volume increase and to a strict control over bandwidth costs.

Operating expenses

Operating expenses increased more slowly than revenues, particularly in the second quarter (77% vs 98%) reversing the trend noted in the first quarter. Sales expenses, specially advertising, have been favored.

Net earnings

Net earnings for the quarter was \$141,936 (\$45,371 in 2005) and \$403,475 for the nine month period ended June 30, 2006 (\$147,879 in 2005). These results show that the profitability of the Company is now well established and that under normal circumstances its net earnings should increase proportionally to its sales.

Cash Flows

Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$403,825 in the third quarter (\$142,605 in 2005) and \$1,006,392 for the nine month period ended June, 2006 (\$372,453 in 2005). If the increase in deferred revenues is added to EBITDA, fund generated by operations totaled \$510,751 for the quarter. For the six month period, funds generated by operations were \$1,448,317.

To finance its new data center, the Company negotiated a first mortgage and a term loan for a total amount of \$1 525 000. A first mortgage of \$ 1,195,000 will be repaid over 17 years while a term loan of \$ 330,000 will be repaid over 5 years. \$ 1,298,464 had been disbursed as of June 30, 2006.

In a second arrangement, the Company came to an understanding with a financial institution for a rotating credit of \$750 000 to be used for the purchase of its servers over the next 12 months. The disbursements will be monthly and repayments over 24 months.

In a third arrangement, the Company negotiated a subordinated loan of \$500,000 to improve its capital base. This loan would be repayable in five years with interest payable monthly. Bonuses of \$150,000 and of 0.5% of the market value of the Company will also be payable in five years.

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 tough 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 40% of the Company's revenues are denominated in US currency.

Outlook

Revenues almost doubled from 2004 to 2005, from \$1.5M to almost \$3.0M. Everything leads to believe that revenues will again double from 2005 to 2006 from \$3.0M to nearly \$6.0M. The results of the first three quarters are a confirmation of this trend.

The Company will again invest in sales through advertising on search engines for precise search words defining its products and by developing new account managers to better dialog with its clients. 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 a monthly to a yearly lease. Management expects that dedicated server revenues will have a major impact on the results of the Company in 2006 and in the future.

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

August 9, 2006.

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

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