

iWEB GROUP INC.
MANAGEMENT DISCUSSION & ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

December 20, 2006

This management discussion & analysis comments on the financial position of iWeb Group Inc. (the Company). This report, prepared in accordance with Rule 51-102 on the continuous information obligations, should be read in conjunction with the audited annual consolidated financial statements for the year ended September 30, 2006 and the notes thereto. The reader must remember that past results are no guarantee of the future.

All amounts are expressed in Canadian dollars.

OVERVIEW

Through a very modern and up to date data centers, the Company offers its clients advanced hosting solutions be it shared hosting, dedicated servers, collocation of protected space for servers and registration of domain names

We cannot overestimate the importance of these data centers, creating the revenue flow from dedicated servers and collocation which represents the larger part of revenues and almost all the growth of the last two years

2006 was a year of considerable growth in most segments of the Company: revenues increased by 96%, net earnings by 148%, fixed assets by 125%, long term debt by 188% and EBITDA by 165%.

Net recurrent revenues increased an average of \$22,300 (new contracts less terminations) per month throughout the year for a cumulative monthly increase of \$268,000 in September and a total increase of \$1,777,000 for the whole year.

The Company's first data center is fully utilized and a second data center was opened in July. The first installed section of the second center is also almost fully used and phase two of the center's installation is under way.

Results

Chosen annual information

	<u>2006</u>	<u>2005</u>	<u>2004</u>
	\$	\$	\$
Revenues	5,754	2,935	1,556
Total assets	7,182	3,213	1,884
Long term debt	3,417	1,187	580
Net earnings	500	201	69
Earnings per share, basic and diluted	0,0214	0,0086	0,0038

Increases in revenues, total assets and long term debt are all tied to the data center project which was started in 2004 thus causing increases in assets and debt but not in revenues in that year. The addition of approximately 1,500 servers and adjacent equipments caused the increase in assets, debt and revenues in 2006.

Net earnings and earnings per share in 2006 include an income tax charge annulled by the realisation of income tax assets in 2005 and 2004.

Operating results

For the year ended September 30, 2006, revenues reached \$5,754,242, an increase of \$2,819,007 or 96% over the \$2,935,235 of 2005. This increase is principally due to the dedicated servers and related services. Prices in the hosting market were stable in general. The Company maintained its prices for the registration of domain names in a market where prices were reduced but managed to keep its volume of business

Gross profit was maintained around 50%.

The increase in selling expenses shows the creation of a marketing program where advertisements are booked with specific search engines. These allow for the Company's sites to appear amongst the top sites when a request for information is similar to one of its products. The increase in revenues is an indication of the success of this program.

Quarterly results

	2005			
	Quarter ended			
	September 30	June 30	March 31	December 31
Revenues (\$)	1 695	1 539	1 378	1 142
Net earnings (\$)	97	142	189	72
Earnings per share	,004	,006	,008	,003

The quarterly revenues show an increase throughout the year. This was generated by recurring revenues from dedicated servers accumulating from month to month and generated by the above mentioned marketing program.

Cash Flows

Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$1,408,030 in 2006. In the particular case of the Company, the increase in deferred revenues of \$440,845 must be added to the funds generated for a total of \$1,848,875. These amounts were \$531,969, \$278,556 and \$810,525 in 2005. The company allows a discount of up to 10% of the amount invoiced to a client if it is prepaid for 6 to 12 months. Numerous clients make use of this arrangement and any amount prepaid is credited to deferred revenues. In addition, the company recognizes revenues as it is earned on a daily basis so that of a monthly invoice issued on the 15 of a month, 50% will be recognized as income and 50% as deferred revenue.

As indicated by its EBITDA and the increase in its deferred income, the Company presently generates enough cash to fulfill all its financial obligations.

The long term commitments (capital and interest) of the Company are as follows:

	Debt \$	Obligations under capital leases \$
2007	572 484	235 273
2008	536 408	80 415
2009	495 117	60 813
2010	386 460	54 279
2011	267 364	36 145
2012 et after	1 801 860	

New data center and financing

In 2005, the Company has initiated the process of building a second data center 6 to 7 times larger than the first one. The second center opened in July. At the present time, the 1,100 server spaces and 32 collocation cabinets are nearly all used. The second phase of the project has already started and will include a 1500 KVA generator, two 500 KVA UPS, 5 AC units totalling 140 tons, one water tower, an electrical entrance of 5000 amps and all the auxiliary equipment for 2,700 servers and 50 additional collocation cabinets. This phase 2 will cost \$4.5M and the financing has been agreed to by a financial institution and should be finalized in the next few weeks. When fully operational and complete, the second center will host 12,000 servers and 132 collocation cabinets.

Accounting estimates

The only accounting estimates used by the Company are the rates of amortization of its tangible assets and clients lists, its allowance for doubtful accounts and the amount capitalised for its internally developed software. In the case of rates of amortization, they must reflect the estimated useful life of the underlying asset as determined by the best judgement of management. The allowance for doubtful accounts amounts to the sum of all accounts given to a collection agency, usually when an account is delinquent for more than sixty days. The amount capitalized to internally developed software represents only the salaries of the employees involved in such development.

Procedures and control

The application of Bill 198 and its regulations represent an exercise in continuous improvement which is leading the Company to formalize control measures that are already in place and to introduce new ones.

The President and Chief Executive Officer and the Chief Financial Officer have evaluated the design and effectiveness of the disclosure controls and procedures and the design of internal controls over the financial information of the Company as at September 30, 2006, and concluded that the disclosure controls and procedures of the information were adequate and effective to ensure that information relating to the Company is complete and reliable. However, certain material weaknesses were identified in the design of internal controls over financial reporting.

The Company was not adequately matching information found on purchase orders, receiving reports and invoices. This was corrected in December 2006.

The Company does not maintain sufficiently detailed records of its fixed assets in view of the recent important additions of such assets. Such adequate records will be set in the coming year.

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

Outlook

The Company receives more than \$30,000 per month of new recurrent revenues (net of terminations) since October, the start of its new financial year. This is in line with its budget, and if the 2006/2007 budget is realized, new recurrent revenues will total more than \$2,800,000 for the year which will be added to the \$7,200,000 (\$600,000 monthly recurrent revenue) already booked at September 2006. Thus, as in previous years, revenues should increase considerably for the year ending September 30, 2007. Profitability and funds generated should be commensurate with the increase in sales.

Securities outstanding

Type of security

Common shares	23 355 012
Warrants for common shares	Nil
Share options	1,495 332

Forward-Looking Statements

This report contains certain forward-looking statements. When used in this report, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Corporation or its management, are intended to identify forward-looking statements. Such statements reflect the statement maker's current views, as of December 20, 2006, with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. The Corporation and its management do not intend, and do not assume any obligation, to update these forward-looking statements.

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

(Signed) *Éric Chouinard*

Eric Chouinard, director

President and chief executive officer

(Signed) *Marc Guindon*

Marc Guindon

Chief Financial Officer

