

IWEB GROUP INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SECOND QUARTER ENDED MARCH 31, 2007

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, 2006.

Overview

Over the 2004/2005 and 2005/2006 financial years, the growth of the Company has been outstanding and this trend was confirmed by the results of the first six months of this year. This growth is exclusively the result of internal efforts of the Company and not growth from acquisitions. The physical infrastructure has to follow closely and the partial completion and enlargement of the 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 2006. 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 way and includes an enlargement of 4 000 square feet to accommodate a 5 000 amps electrical entrance and water towers air conditioning units; a 1 500 KVA generator, two UPS of 500 KVA each and all the necessary equipment to service 2 700 additional servers. Eventually, the second data center will accommodate 12,000 servers and 132 co-location cabinets. The operation of the Hochelaga center will continue as before.

Changes in accounting policies

The Company has applied the new recommendations of the ICCA manual relative to financial instruments amongst others.

See note 2 of the interim financial statements of March 31, 2007.

Results

Revenues

Revenues for the second quarter ended March 31, 2007, have increased by \$912,752 or 66% over those of the same period in 2006. Revenues were \$2,290,877 for the quarter (\$1,378,125 in 2006). For the six-month period, the increase was \$1,726,820 or 69%, from \$2,520,234 in 2006 to \$4,247,054 for the six-month period ended March 31, 2007. With the second data center well under way, Management believes that this trend will continue.

Cost of services sold

Cost of services sold decreased by 2.6% of revenues for the quarter to 44% of revenues. For the six-month period, the decrease was 1.9%, to 45% of revenues. These improvements are due to the volume increase and to a strict control over bandwidth costs.

Operating expenses

Operating expenses increased for the three-month period ended March 31, 2007 compared to the same period in 2006. Those expenses went from 40% to 50% of revenues in 2007. This increase is explained by higher selling expenses due to the investments made in advertising in the U.S. market. In addition, financial expenses increased pursuant to the additional financing facilities.

Net earnings

Net earnings for the quarter was \$21,710 (\$189,057 in 2006). This decrease is due to higher operating expenses, but for the most part, to the increase in the fair value of the derivative embedded in the subordinated debt of \$500,000, which was repurchased and eliminated during the period. A bonus clause integrated in the subordinated debt specified that an amount representing 0.5% of the Company's market value as at March 26, 2011 was payable at the maturity date of the debt. The fair value of that derivative increased substantially following the increase of the quoted price of the Company's shares at the beginning of 2007. Pursuant to an agreement with the owner of the subordinated debt, that clause was repurchased for \$140,524, the then market price of the derivative and eliminated in March 2007. The increase in the fair value of the derivative, coinciding with its repurchase, amounted to \$95,779 and was recorded in the results for the current period.

For the six month period, net earnings went from \$261,538 to \$114,705 for the same reasons.

Cash Flows

Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$487,244 in the quarter (\$359,709 in 2006). If the increase in deferred revenues is added to EBITDA, fund generated by operations totaled \$738,917 for the quarter. On the same basis, funds generated by operations were \$1,415,317 for the six month period.

During the last quarter, the Company has proceeded to a major combination of its current debts, and negotiated new loans totaling \$4.5M to finance its new data center.

This additional debt includes a subordinated debt of \$2.5M, bearing interest of 11% payable monthly, plus a 2% interest and a bonus to a percentage varying from 3% to 6% of EBITDA for the next five years. The capital, the supplementary interest and the bonus are payable in five years. An amount of \$1,334,000 should be disbursed in the third quarter.

A second amount of \$2.0M will be combined with the Company's existing debt into two loans. The first of \$2,441,960 bearing interest at the base rate of BDC plus 0.75% (8.75%) and payable over 15 years, the second of \$2,252,000 bearing interest at the base rate plus 1.5% (9.5%), and payable over 7 years. An amount of \$500,000 of the \$2,441,960 loan and an amount of \$1,072,550 of the \$2,252,000 loan will be disbursed in the third quarter as the work progresses on the project. The reimbursements of capital for these loans will start in January 2008 and November 2007 respectively.

Stock option plan

On March 26, 2007, the company amended its stock option plan (see note 6 of the March 31, 2007 interim financial statements).

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 March 31, 2007, 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.

During the second quarter, the Company has retained a firm of consultants specialised in documenting internal control procedures and financial information disclosure. A report will be produced shortly.

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 60% of the Company's revenues are denominated in US currency.

See note 8 to the interim financial statements for the quarter ended March 31, 2007.

Outlook

Revenues doubled from 2004 to 2005, from \$1.5M to almost \$3.0M and again almost doubled from 2005 to 2006 from \$3.0M to \$5.7M. The results of the first six months of 2006/2007 confirm yet again a large increase in revenues.

The Company will 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 2006/2007 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.

May 22, 2007

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

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