

iWeb Group Inc.

Consolidated Interim Financial Statements

**Second quarter ended
mars 31, 2005**

Notice: the consolidated interim financial statements have not been examined by the Company's external auditors.

Financial Statements

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iWeb Group Inc.

Consolidated Earnings

for the quarters ended March 31, 2005 and 2004
(unaudited)

	March 31 3 months 2005	March 31 6 months 2005	March 31 3 months 2004	March 31 6 months 2004
	\$	\$	\$	\$
Revenues	<u>665,540</u>	<u>1,251,378</u>	<u>480,549</u>	<u>845,723</u>
Cost of services sold				
Optic fiber lines and direct costs	288,377	519,459	236,606	397,955
Amortization of tangible assets	<u>37,431</u>	<u>67,866</u>	<u>23,751</u>	<u>45,328</u>
	<u>325,808</u>	<u>587,325</u>	<u>260,357</u>	<u>443,283</u>
Gross profit	<u>339,732</u>	<u>664,053</u>	<u>220,192</u>	<u>402,440</u>
Operating expenses				
Amortization of assets	19,820	38,037	9,261	10,582
Selling expenses	94,518	192,350	33,018	97,153
Administrative expenses	182,017	291,814	123,646	235,975
Financial expenses	17,996	30,157	13,235	18,078
Loss on disposal of asset		9,187		
	<u>314,351</u>	<u>561,545</u>	<u>179,160</u>	<u>361,788</u>
Net earnings	<u>25,381</u>	<u>102,508</u>	<u>41,032</u>	<u>40,652</u>
Deficit beginning	<u>-117,759</u>	<u>-194,886</u>	<u>-223,582</u>	<u>-223,202</u>
Deficit end	<u>-92,378</u>	<u>-92,378</u>	<u>-182,550</u>	<u>-182,550</u>
Earnings per share, basic and diluted	<u>0.001</u>	<u>0.004</u>	<u>0.009</u>	<u>0.009</u>
Weighted average number of shares outstanding	<u>23,355,021</u>	<u>23,355,021</u>	<u>4,433,329</u>	<u>4,433,329</u>

See accompanying notes

iWeb Group Inc.
Consolidated balance Sheets

March 31, 2005 and September 30, 2004

	(unaudited) March 2005	(audited) September 2004
	\$	\$
Assets		
Current assets		
Cash and cash equivalent	58,608	2,784
Term deposits		200,000
Trade and other accounts receivable	168,432	109,280
Prepaid expenses and components	72,876	24,040
	<u>299,916</u>	<u>336,104</u>
Term deposits	151,849	155,551
Intangible asset: Subscribers	240,461	
Tangible assets	<u>2,016,040</u>	<u>1,392,710</u>
	<u><u>2,708,266</u></u>	<u><u>1,884,365</u></u>
 liabilities		
Current liabilities		
Bank debt	63,000	15,000
Account payable and accrued liabilities	449,735	402,675
Deferred income	565,657	385,923
Balance of sale Subscribers	61,015	
Current portion of long term debt	147,563	74,607
	<u>1,286,970</u>	<u>878,205</u>
Long term debt	818,444	505,816
	<u>2,105,414</u>	<u>1,384,021</u>
 Shareholders' equity		
Capital stock	695,230	695,230
Deficit	-92,378	-194,886
	<u>602,852</u>	<u>500,344</u>
	<u><u>2,708,266</u></u>	<u><u>1,884,365</u></u>

See accompanying notes

(signed) *Eric Chouinard*
Eric Chouinard, Director

(signed) *Martin Leclair*
Martin Leclair, Director

iWeb Group Inc. Consolidated Cash Flows

quarters ended March 31, 2005 and 2004
(unaudited)

	March 31 3 months 2005	March 31 6 months 2005	March 31 3 months 2004	March 31 6 months 2004
	\$	\$	\$	\$
Operating activities				
Net earnings	25,626	102,508	41,032	40,652
Non-cash items				
Amortization of tangible assets	57,251	105,903	33,212	55,910
Loss on disposal of fixed assets		9,187		
Changes in working capital items	127,365	144,631	37,513	79,694
	<u>210,242</u>	<u>362,229</u>	<u>111,757</u>	<u>176,256</u>
Investing activities				
Disposal of term deposits	55,552	203,702		
Tangible assets	-567,024	-700,261	-333,563	-777,367
Disposal of tangible assets		11,000		
Subscribers		-315,445		
	<u>-511,472</u>	<u>-801,004</u>	<u>-333,563</u>	<u>-777,367</u>
Financing activities				
Bank debt		48,000		
Repayment of long term debt	-30,630	-52,769	-14,243	-29,787
Balance of sale		165,445		
Long term debt	-104,430	-104,430		
Demand note	438,353	438,353	326,364	539,364
				200,000
	<u>303,293</u>	<u>494,599</u>	<u>312,121</u>	<u>709,577</u>
Net increase in cash and cash equivalent				
Cash and cash equivalent, beginning	2,063	55,824	90,315	108,466
Cash and cash equivalent, end	<u>56,545</u>	<u>2,784</u>	<u>153,267</u>	<u>135,116</u>
	<u>58,608</u>	<u>58,608</u>	<u>243,582</u>	<u>243,582</u>

See accompanying notes

iWeb Group Inc.

Notes to consolidated financial statements

mars 31, 2005

(unaudited)

1- Interim Financial Statements

The interim financial statements for the three and six month periods ended March 31, 2005 and 2004 are unaudited but include all adjustments that management thought necessary for a fair presentation of the financial position of the Company, the results of its operations and its cash flows.

The unaudited financial statements do not include all the information and notes required according to Canadian generally accepted accounting principles for annual financial statements, and therefore should be read with the audited financial statements and notes of the Company for the year ended September 31, 2004. These unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles, applied in the same manner as the most recently audited financial statements.

The adoption of the recommendations of the EIC of the CICA (EIC-123) had the impact of reducing sales and cost of services sold by \$ 52, 269 for the three months and by \$ 104, 747 for the six months ended March 31, 2005 (\$ 39,475 and \$ 69,692 for 2004) but had no effect on the net earnings of the Company.

2- Long term debt

	31 mars 2005	30 September 2004
	\$	\$
Hypothec, secured by land and building, base rate plus 0.5% (6.75% on March 31, 2005 and 6.5% on September 30, 2004), repayable in monthly installments of \$ 2,820 plus interest, maturing in March 2019.	473,760	490,680
Term loans, secured by computer equipment, base rate plus 3% (7.25% on March 31, 2005 and 7% on September 30, 2004) repayable in monthly installments of \$ 1,250 and \$ 3,200, maturing in August 2008 and march 2010.	243,250	76,830
Term loan, secured by electrical equipment, base rate plus 6% (12.25% on March 31, 2005), repayable in monthly installments of \$ 2,590, maturing in January 2010.	150,220	
Obligation under a capital lease for electrical equipment, 4.8%, repayable in equal monthly blended payments of capital and interest of \$ 2,178, maturing in February 2009.	89,545	
Obligations under capital leases, 16.56% and 19.84%, repayable in monthly installments and maturing on different dates until July 2006.	9,232	12,913
	<hr/>	<hr/>
	966,007	580,423
Installments due within one year	147,563	74,607
	<hr/>	<hr/>
	818,444	505,816

The installments on long term debt for the next years are as follows:

	Obligations under capital leases	Other
	\$	\$
2005	34,976	118,320
2006	23,428	118,320
2007	24,574	118,320
2008	25,471	109,570
2009		98,140
2010 and thereafter		304,560
Total minimum payments	<u>108,449</u>	
Interest included in minimum lease payments	<u>9,672</u>	

3- Share Capital

Authorized

Unlimited number of voting and participating common shares, without par value,

Issued and paid

The following show changes in share capital issued through the periods:

	Number of shares	\$ amount
Balance September 30, 2003 and 2002	4,433,329	224,510
Share issue on reverse take over, August 24, 2004	17,721,692	230,720
Share issue through public financing on August 24, 2004	<u>1,200,000</u>	<u>240,000</u>
Balance March 31, 2005 and September 30, 2004	<u>23,355,021</u>	<u>695,230</u>

Under the requirements of TSX Venture Exchange Inc., 12,503,974 common shares are held in escrow under an escrow agreement under which terms, 2, 500, 795 shares were released on March 27, 2005 and an equal number of shares will be released at six month intervals thereafter.

4- Changes in accounting policies; Stock based compensation

In September and November 2003, The Accounting board made amendments to the CICA handbook Section 3870 to require that the fair value based method be applied to awards granted to employees, which previously had not been accounted for at fair value. Thus, enterprises are required to account for the effect of such awards in their financial statements for fiscal years beginning after January 1, 2004, The Company adopted the fair value based method in its fiscal year 2005. The application of this method had no significant impact on financial statements of the Company.

5- Additional information on consolidated earnings and cash flows

	March 31 3 months 2005	March 31 6 months 2005	March 31 3 months 2004	March 31 6 months 2004
	\$	\$	\$	\$
Amortization of tangible assets	50,804	93,009	33,212	55,910
Amortization of intangible asset	6,447	12,894		
Interest long term debt	11,445	21,392	8,683	11,703
Interest paid	12,592	23,229	11,183	14,376
Foreign exchange gain (loss)	1,547	2,266	1,019	,407
Accounts payable included in tangible assets	42,151	42,151		