

iWeb Group Inc.

Consolidated Interim Financial Statements

**Third quarter ended
June 30, 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 June 30, 2005 and 2004
(unaudited)

	June 30 3 months 2005	June 30 9 months 2005	June 30 3 months 2004	June 30 9 months 2004
	\$	\$	\$	\$
Revenues	<u>777,484</u>	<u>2,028,863</u>	<u>488,461</u>	<u>1,344,243</u>
Cost of services sold				
Optic fiber lines and direct costs	293,673	813,133	198,601	494,822
Amortization of tangible assets	<u>56,301</u>	<u>124,167</u>	<u>24,667</u>	<u>71,277</u>
	<u>349,974</u>	<u>937,300</u>	<u>223,268</u>	<u>566,099</u>
Gross profit	<u>427,510</u>	<u>1,091,563</u>	<u>265,193</u>	<u>778,144</u>
Operating expenses				
Amortization of assets	23,347	61,384	5,200	14,500
Selling expenses	132,664	325,014	85,392	270,254
Administrative expenses	202,882	494,696	105,465	369,400
Financial expenses	23,246	53,403	18,939	33,141
Loss on disposal of asset		9,187		
	<u>382,139</u>	<u>943,684</u>	<u>214,996</u>	<u>687,295</u>
Net earnings	<u>45,371</u>	<u>147,879</u>	<u>50,197</u>	<u>90,849</u>
Deficit beginning	<u>-92,378</u>	<u>-194,886</u>	<u>-182,550</u>	<u>-223,202</u>
Deficit end	<u>-47,007</u>	<u>-47,007</u>	<u>-132,353</u>	<u>-132,353</u>
Earnings per share, basic and diluted	<u>0.002</u>	<u>0.006</u>	<u>0.011</u>	<u>0.020</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

June 30, 2005 and September 30, 2004

	(unaudited) June 2005	(audited) September 2004
	\$	\$
Assets		
Current assets		
Cash and cash equivalent	102,222	2,784
Term deposits		200,000
Trade and other accounts receivable	161,594	109,280
Prepaid expenses and components	100,579	24,040
	<u>364,395</u>	<u>336,104</u>
Term deposits		155,551
Subscribers list	234,014	
Tangible assets	2,251,711	1,392,710
	<u>2,850,120</u>	<u>1,884,365</u>
liabilities		
Current liabilities		
Bank debt		15,000
Account payable and accrued liabilities	523,294	402,675
Deferred income	622,272	385,923
Balance of sale subscribers list	34,731	
Current portion of long term debt	194,974	74,607
	<u>1,375,271</u>	<u>878,205</u>
Long term debt	826,626	505,816
	<u>2,201,897</u>	<u>1,384,021</u>
Shareholders' equity		
Capital stock	695,230	695,230
Deficit	-47,007	-194,886
	<u>648,223</u>	<u>500,344</u>
	<u>2,850,120</u>	<u>1,884,365</u>

See accompanying notes

(signed) *Eric Chouinard*
Eric Chouinard, Director

(signed) *Martin Leclair*
Martin Leclair, Director

iWeb Group Inc.
Consolidated Cash Flows

quarters ended June 30, 2005 and 2004
(unaudited)

	June 30 3 months 2005	June 30 9 months 2005	June 30 3 months 2004	June 30 9 months 2004
	\$	\$	\$	\$
Operating activities				
Net earnings	45,371	147,879	50,197	90,849
Non-cash items				
Amortization of tangible assets	79,648	185,551	29,867	85,777
Loss on disposal of fixed assets		9,187		
Changes in working capital items	47,408	192,039	72,233	180,014
	<u>172,427</u>	<u>534,656</u>	<u>152,297</u>	<u>356,640</u>
Investing activities				
Disposal of term deposits	151,849	355,551		
Tangible assets	-246,971	-947,232	-182,842	-960,209
Disposal of tangible assets		11,000		
Purchase of business and subscribers list		-315,445		
	<u>-95,122</u>	<u>-896,126</u>	<u>-182,842</u>	<u>-960,209</u>
Financing activities				
Bank debt	-63,000	-15,000		
Repayment of long term debt	-42,017	-94,786	-21,999	-90,441
Balance of sale on purchase of business		165,445		
Repayment balance of sale	-26,284	-130,714		
Long term debt	97,610	535,963		549,932
Demand note				200,000
	<u>-33,691</u>	<u>460,908</u>	<u>-21,999</u>	<u>659,491</u>
Net increase in cash and cash equivalent				
Cash and cash equivalent, beginning	43,614	99,438	-52,544	55,922
Cash and cash equivalent, end	<u>58,608</u>	<u>2,784</u>	<u>243,582</u>	<u>135,116</u>
	<u>102,222</u>	<u>102,222</u>	<u>191,038</u>	<u>191,038</u>

See accompanying notes

iWeb Group Inc.

Notes to consolidated financial statements

June 30, 2005
(unaudited)

1- Interim Financial Statements

The interim financial statements for the three and six month periods ended June 30, 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 \$ 39, 533 for the three months and by \$ 144, 280 for the nine months ended June 30, 2005 (\$ 52,660 and \$ 122,352 for 2004) but had no effect on the net earnings of the Company.

2- Long term debt

	30 June 2005	30 September 2004
	\$	\$
Fist mortgage, secured by land and building, base rate plus 0.5% (6.75% on June 30, 2005 and 6.5% on September 30, 2004), repayable in monthly installments of \$ 2,820 plus interest, maturing in March 2019.	465,300	490,680
Term loans, secured by computer equipment, base rate plus 3% (7.25% on June 30, 2005 and 7% on September 30, 2004) repayable in monthly installments of \$ 1,250 and \$ 3,200, maturing in August 2008 and march 2010.	224,900	76,830
Term loan, secured by electrical equipment, base rate plus 6% (12.25% on June 30, 2005), repayable in monthly installments of \$ 2,590, maturing in January 2010.	142,450	
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.	84,077	
Obligation under a capital lease for specific electronic equipments, 11.95%, repayable in equal monthly blended payments of capital and interest of \$4,547 maturing in June 2007.	97,610	
Obligations under capital leases, 16.56% and 19.84%, repayable in monthly installments and maturing on different dates until July 2006.	7,263	12,913
	<u>1,021,600</u>	<u>580,423</u>
Installments due within one year	<u>194,974</u>	<u>74,607</u>
	<u>826,626</u>	<u>505,816</u>

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

	Obligations under capital leases	Other
	\$	\$
2006	87,971	118,320
2007	80,708	118,320
2008	26,136	117,070
2009	17,424	103,320
2010		63,400
2011 and thereafter		312,220
Total minimum payments	<u>212,239</u>	
Interest included in minimum lease payments	<u>23,289</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	1,200,000	240,000
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

	June 30 3 months 2005	June 30 9 months 2005	June 30 3 months 2004	June 30 9 months 2004
	\$	\$	\$	\$
Amortization of tangible assets	73,200	166,208	29,867	85,777
Amortization of intangible asset	6,448	19,343		
Interest long term debt	17,631	39,023	10,440	22,144
Interest paid	18,686	42,284	10,625	25,253
Foreign exchange gain (loss)	1,470	3,736		
Accounts payable included in tangible assets	67,806	67,806	86,246	86,246