iWeb Group Inc.

Consolidated Financial Statements
September 30, 2005 and 2004

Management's Report

The consolidated financial statements of iWeb Group Inc. and the other financial information included in the annual report are management's responsibility.

These consolidated financial statements and the other financial information have been prepared by management in accordance with Canadian generally accepted accounting principles. This responsibility includes the selection of appropriate accounting policies and methods in the circumstances, and the use of careful judgment in establishing reasonable accounting estimates.

Management maintains internal control systems designed, among other things, to provide reasonable assurance that the Company's assets are adequately safeguarded and that the accounting records are a reasonable basis to prepare relevant and reliable financial information.

The Audit Committee is composed of three directors, two of whom are external directors. This committee meets with the external auditors and management to discuss the matters relating to audit, internal control and financial information. The committee also reviews the annual consolidated financial statements.

These consolidated financial statements have been audited by Raymond Chabot Grant Thornton LLP, chartered accountants, whose report indicating the scope of their audit and their opinion on the consolidated financial statements is presented hereafter.

The Board of Directors has approved the Company's consolidated financial statements, on the recommandation of the Audit Committee.

/S/ Éric Chouinard
Éric Chouinard
President and Chief Executive Officer

/S/ Martin Leclair
Martin Leclair
Vice-President and Chief Operating Officer

/S/ Marc Guindon
Marc Guindon
Vice-President and Chief Financial Officer

Montréal, December 21, 2005

Raymond Chabot Grant Thornton LLP
Chartered Accountants

Auditors' Report

To the Shareholders of
iWeb Group Inc.

We have audited the consolidated balance sheets of iWeb Group Inc. as at September 30, 2005 and 2004 and the consolidated statements of earnings, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/S/Raymond Chabot Grant Thornton LLP

Chartered Accountants

Montréal
December 21, 2005

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National Bank Tower
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iWeb Group Inc.
Consolidated Earnings
Years ended September 30, 2005 and 2004

	2005	2004
	$	$
Revenues	2,935,235	1,556,305
Cost of services sold		
Bandwidth and direct costs	1,204,559	685,021
Amortization of tangible assets	223,740	100,899
	1,428,299	785,920
Gross profit	1,506,936	770,385
Operating expenses		
Amortization of tangible assets and client lists	47,985	12,193
Selling expenses	478,379	213,572
Administrative expenses	702,848	435,928
Financial expenses	76,352	39,673
	1,305,564	701,366
Net earnings	201,372	69,019
Net earnings per share, basic and diluted	0.0086	0.0038
Weighted average number of shares outstanding	23,355,021	18,308,176

The accompanying notes are an integral part of the consolidated financial statements.

iWeb Group Inc.
Consolidated Retained Earnings (Deficit)
Years ended September 30, 2005 and 2004

	2005	2004
	$	$
Deficit, beginning of year	(194,886)	(223,202)
Net earnings	201,372	69,019
Share issue expenses		(40,703)
Retained earnings (deficit), end of year	6,486	(194,886)

The accompanying notes are an integral part of the consolidated financial statements.

iWeb Group Inc.
Consolidated Balance Sheets
September 30, 2005 and 2004

	2005	2004
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	42,933	2,784
Term deposits and note receivable (Note 7)	50,000	200,000
Trade and other accounts receivable	261,968	109,280
Prepaid expenses	46,623	24,040
	401,524	336,104
Term deposits and note receivable (Note 7)		155,551
Client lists (Note 8)	237,202	
Tangible assets (Note 9)	2,574,901	1,392,710
	3,213,627	1,884,365
LIABILITIES		
Current liabilities		
Bank loan (Note 10)		15,000
Accounts payable and accrued liabilities	625,143	402,675
Note payable, without interest, payable in November 2005	34,731	
Deferred revenues	664,479	385,923
Instalments on long-term debt	300,747	74,607
	1,625,100	878,205
Long-term debt (Note 11)	886,811	505,816
	2,511,911	1,384,021
SHAREHOLDERS' EQUITY		
Capital stock (Note 12)	695,230	695,230
Retained earnings (deficit)	6,486	(194,886)
	701,716	500,344
	3,213,627	1,884,365

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

/S/ Éric Chouinard
Éric Chouinard, Director

/S/ Robert Brouillette
Robert Brouillette, Director

iWeb Group Inc.
Consolidated Cash Flows
Years ended September 30, 2005 and 2004

	2005	2004
	$	$
OPERATING ACTIVITIES		
Net earnings	201,372	69,019
Non-cash items		
Amortization of tangible assets	245,934	113,092
Amortization of client lists	25,791	
Loss on disposal of tangible assets	9,187	
Changes in working capital items (Note 13)	304,077	254,247
Cash flows from operating activities	786,361	436,358
INVESTING ACTIVITIES		
Term deposits and note receivable	(50,000)	(350,000)
Receipt of term deposits	355,551	83,811
Tangible assets	(1,341,477)	(1,207,731)
Disposal of tangible assets	11,000	
Acquisition of business and client list	(157,768)	
Reverse takeover		115,913
Cash flows from investing activities	(1,182,694)	(1,358,007)
FINANCING ACTIVITIES		
Bank loan	(15,000)	15,000
Long-term debt	766,767	744,825
Repayment of long-term debt	(184,571)	(80,443)
Balance of purchase price	(130,714)	
Share issue expenses		(40,703)
Share issue		240,000
Cash flows from financing activities	436,482	878,679
Net increase (decrease) in cash and cash equivalents	40,149	(42,970)
Cash and cash equivalents, beginning of year	2,784	45,754
Cash and cash equivalents, end of year	42,933	2,784

The accompanying notes are an integral part of the consolidated financial statements.

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

1 - INCORPORATION, CHANGE IN CORPORATE NAME AND IN FISCAL YEAR-END AND NATURE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on November 26, 2002.

During the year ended September 30, 2004, the Company changed its corporate name from Leonids Investments Inc. to iWeb Group Inc. In addition, it changed its fiscal year-end from December 31 to September 30. The Company provides hosting solutions for Web applications and is an intermediary in registering Web domain names.

2 - REVERSE TAKEOVER

On August 24, 2004, iWeb Group Inc. (previously Leonids Investments Inc.) entered into an agreement with iWeb Group Technologies Inc. to acquire all of its outstanding shares in exchange for the issuance of 17,721,692 of its own common shares.

As a result of this transaction, the shareholders of iWeb Group Technologies Inc. hold directly or indirectly approximately 79% of the outstanding issued and voting shares of iWeb Group Inc. At the time of the transaction, iWeb Group Inc. was an inactive public company and did not correspond to the definition of an economic unit for accounting purposes; consequently, the transaction is not considered a business combination. The transaction was accounted for as a reverse takeover and constitutes a capital restructuring of iWeb Group Technologies Inc. The amount determined for the issue of common shares of the Company represents the net carrying amount equivalent to the fair value of iWeb Group Inc. on the closing date, August 24, 2004. The operating results of iWeb Group Inc. are included in these financial statements from the date of acquisition, August 24, 2004. Figures shown for periods prior to August 24, 2004 are those of iWeb Group Technologies Inc. The capital structure, in other words the number and class of issued shares, shown in the consolidated balance sheet is that of iWeb Group Inc. and includes the shares issued to carry out the reverse takeover.

A shareholder of iWeb Group Inc. had considerable influence over iWeb Group Technologies Inc. at the time of the transaction. This shareholder received 1,423,680 common shares of the Company in consideration for the 355,920 shares he held in iWeb Group Technologies Inc.

The assets and liabilities acquired through the reverse takeover are as follows:

	iWeb Group Inc.
	$
Assets	
Cash and cash equivalents	115,913
Demand note from iWeb Group Technologies Inc.	200,000
Accrued interest and sales taxes receivable	5,700
	321,613
Liabilities	
Accounts payable and accrued liabilities	90,893
	230,720

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

3 - BUSINESS ACQUISITION

On October 1, 2004, the Company acquired all of the outstanding shares of 9080-8206 Québec Inc., which operated under the name Parangon Internet ("Parangon"). The acquisition cost was $315,445, including $150,000 in cash and a $165,445 balance of purchase price. The value of the net tangible assets acquired is $62,088. The excess of the acquisition cost over the value of the net tangible assets acquired has been presented as a client list. The results of operations of Parangon are included in these financial statements since the acquisition date of October 1, 2004.

The assets and liabilities acquired in connection with this transaction are detailed as follows:

	$
Assets	
Cash and cash equivalents	1,868
Trade and other accounts receivable	49,658
Prepaid expenses	4,448
Tangible assets	59,579
Client list	253,357
	368,910
Liabilities	
Accounts payable and accrued liabilities	(28,526)
Due to shareholders of Parangon	(24,939)
	(53,465)
	315,445

Moreover, on June 20, 2005, the Company acquired a client list for $9,636.

4 - CHANGES IN ACCOUNTING POLICIES

Year ended September 30, 2005

Stock-based compensation

In September 2003, the Canadian Institute of Chartered Accountants ("CICA") amended Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments.* This Section requires that a fair-value based method of accounting be applied to stock options awarded to employees and non-employees. These changes apply for fiscal years beginning on or after January 1, 2004. The Company decided to adopt the changes retroactively without restating its financial statements. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and stock-based compensation expense is recognized over the option vesting periods and credited to contributed surplus. Any consideration received on the exercise of the options is credited to capital stock and the contributed surplus resulting from the stock-based compensation is paid to capital stock on issuance of the shares. This accounting change did not have any impact on the September 30, 2005 financial statements.

4 - CHANGES IN ACCOUNTING POLICIES (Continued)

Year ended September 30, 2004

Revenue recognition

In December 2003, the Emerging Issues Committee ("EIC") of the CICA issued abstracts on revenue recognition: EIC-141, *Revenue Recognition* , and EIC-142, *Revenue Arrangements with Multiple Deliverables* . Generally, the objective of these abstracts is to provide guidelines for the application of Section 3400 of the CICA Handbook, *Revenue.*

EIC-142 addresses how to determine whether an arrangement involving multiple deliverables ("AMD") contains more than one unit of accounting and, if so, how arrangement considerations should be allocated to the separate units of accounting in the arrangement. EIC-142 applies to all deliverables (that is, products, services, or rights to use assets) within AMDs (whether written, oral, or implied). The guidelines set out in EIC-141 and 142 were applied to sales transactions recognized and AMDs entered into in the first interim period or annual fiscal period beginning after December 17, 2003. Adoption of these guidelines did not have any impact on the Company's consolidated financial statements.

Consolidation of variable interest entities

In January 2003, the CICA issued Accounting Guideline 15 ("AcG-15"), *Consolidation of Variable Interest Entities* ("VIEs"). This standard was subsequently modified in September 2004. AcG-15 requires certain variable interest entities, or VIEs, to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company currently has no contractual relationship or other business relationship with a variable interest entity and therefore the adoption of AcG-15 did not have an effect on the Company's consolidated balance sheets or statements of earnings, deficit and cash flows.

Net presentation of direct sales

During the year ended September 30, 2004, the Company retroactively adopted the new recommendations of the EIC of the CICA related to reporting gross revenues when the company acts as a principal as opposed to net revenues when it acts as an agent ("EIC-123"). Under these recommendations, the Company is required to report its transactions resulting from the reservation of domain names billed to the Company and passed on to the Company's clients with a mark-up on a net basis. Previously, these transactions were reported on a gross basis in both sales and cost of services sold. The impact of these recommendations was a decrease in sales and cost of goods sold by $157,719 as at September 30, 2004. The application of these recommendations had no impact on the Company's net earnings.

Disclosure requirements for guarantees

The CICA issued AcG-14, *Disclosure of Guarantees.* AcG-14 requires guarantors to disclose certain information for guarantees outstanding at the end of the reporting period. The adoption of AcG-14 did not have any impact on the Company's consolidated financial statements.

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

4 - CHANGES IN ACCOUNTING POLICIES (Continued)

Impairment or disposal of long-lived assets

The CICA issued new Handbook Section 3063, *Impairment of Long-lived Assets,* and revised Section 3475, *Disposal of Long-lived Assets and Discontinued Operations.* These two sections provide guidance on how assets are grouped when testing and measuring for impairment and propose a two-step process for first determining when an impairment loss is recognized and then measuring that loss. The adoption of these new standards had no impact on the Company's consolidated financial statements.

5 - ACCOUNTING POLICIES

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from these estimates.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and of its wholly-owned subsidiaries, iWeb Technologies Inc. and Parangon.

Revenue recognition

Revenue is recognized once there is an agreement between the parties, the price is determinable and there is a reasonable assurance of collection.

In addition to the general principles described above, the Company applies the following specific principles:

– Hosting revenues:

  Hosting revenues are recognized on a straight-line basis over the period of the contract when service delivery has begun;

– Domain names revenues:

  Revenues from domain names sales are recognized net of the cost of purchase of domain names from the official registrar.

Cash and cash equivalents

The Company's policy is to present cash and temporary investments having a term of three months or less from the acquisition date with cash and cash equivalents.

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

5 - ACCOUNTING POLICIES (Continued)

Amortization

The tangible assets and client lists are accounted for at cost less accumulated amortization and are amortized over their estimated useful lives according to the straight-line method at the following annual rates:

	Rates
Building	4%
Software, computer equipment, furniture and equipment (a) (b)	15%
Assets under capital leases	
Computer equipment, furniture and equipment	15%
Client lists	10%

(a) Before October 1, 2004, furniture and equipment were amortized using the diminishing balance method at the annual rate of 20%. This change, applied prospectively, did not have a significant impact on the consolidated financial statements.

(b) Prior to October 1, 2003, software and computer equipment were amortized according to the diminishing balance method at the annual rate of 30%. This change, applied prospectively, did not have a significant impact on the consolidated financial statements.

Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the carrying amounts and tax bases of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws at the date of the financial statements for the years in which the temporary differences are expected to reverse. The Company records a valuation allowance with respect to the future income tax asset if, according to available information, it is more likely than not that part or all of the future income tax asset will not be realized.

Earnings per share

Basic earnings per common share are computed by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the periods. Diluted earnings per share are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised. The treasury stock method is used to determine the dilutive effect of stock options. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options are used to repurchase common shares at the average market price during the period.

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

5 - ACCOUNTING POLICIES (Continued)

Stock-based compensation plan

The Company offers a stock option plan as described in Note 14, for which it uses the fair-value based method to recognize awards of stock options to employees and non-employees. The fair value of stock options awarded is determined on the award date using an option pricing model and the compensation expense is recognized over the vesting period. Any consideration paid by officers, employees or non-employees on the exercise of options and any contributed surplus relating to an option are charged to capital stock.

Foreign currency translation

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date whereas other assets and liabilities are translated at the exchange rates in effect at transaction dates. Revenues and expenses in foreign currency are translated at the average rate in effect during the year, with the exception of amortization which is translated at the historical rate. Gains and losses are included in the earnings for the year.

6 - INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF EARNINGS

	2005	2004
	$	$
Amortization of tangible assets	245,934	113,092
Amortization of client lists	25,791	–
Interest on long-term debt	58,872	31,791
Loss on disposal of tangible assets	9,187	–
Exchange gain (loss)	(4,988)	3,955

7 - TERM DEPOSITS AND NOTE RECEIVABLE

	2005	2004
	$	$
Demand note receivable, 5%	50,000	
Term deposit, 1.9%		200,000
Term deposits, 2% and 2.45%		150,000
Other		5,551
	50,000	355,551
Term deposits and note receivable, maturing in less than one year	(50,000)	(200,000)
	–	155,551

8 - CLIENT LISTS

	2005		
	Cost	Accumulated amortization	Net
	$	$	$
Client lists	262,993	25,791	237,202

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

9 - TANGIBLE ASSETS

	2005		
	Cost	Accumulated amortization	Net
	$	$	$
Land	70,583		70,583
Building	628,781	37,445	591,336
Computer equipment	1,281,830	412,216	869,614
Furniture and equipment	404,238	48,017	356,221
Software	267,284	10,100	257,184
Assets under capital leases			
Computer equipment	362,450	21,818	340,632
Furniture and equipment	95,715	6,384	89,331
	3,110,881	535,980	2,574,901

	2004		
	Cost	Accumulated amortization	Net
	$	$	$
Land	70,583		70,583
Building	628,781	12,294	616,487
Computer equipment	734,300	258,324	475,976
Furniture and equipment	92,347	14,209	78,138
Software	120,000	1,100	118,900
Computer equipment under capital leases	38,384	5,758	32,626
	1,684,395	291,685	1,392,710

Accounts payable and accrued liabilities include $71,284 relating to acquisitions of tangible assets ($24,028 in 2004).

10 - BANK LOAN

As at September 30, 2004, the bank loan was secured by a $150,000 term deposit. The maximum authorized amount of the bank loan was $150,000 and bore interest at the base rate plus 1% (5% as at September 30, 2004).

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

11 - LONG-TERM DEBT

	2005	2004
	$	$
First mortgage, secured by land and the building having an amortized cost of $661,919, base rate plus 0.5% (7.25% as at September 30, 2005; 6.5% in 2004), payable in monthly instalments of $2,820 plus interest, maturing in March 2019	456,840	490,680
Term loans, secured by computer equipment, base rate plus 3% (7.5% as at September 30, 2005; 7% in 2004), payable in monthly capital instalments of $4,450, matured in April 2004 and maturing in August 2008 and March 2010 (a)	211,550	76,830
Term loans, secured by equipment, base rate and base rate plus 6% (6.75% and 12.75% as at September 30, 2005 representing a combined rate of 10.62%), payable in monthly principal instalments of $2,590, maturing in January 2010 (a)	134,680	
Obligation under a capital lease, 4.8%, payable in monthly instalments of $2,178, principal and interest, maturing in December 2008	78,541	
Obligations under capital leases, 11.95%, payable in monthly instalments of $15,097, principal and interest, maturing on different dates between June and September 2007	300,730	
Obligations under capital leases, 16.56% and 19.84%, payable in monthly instalments of $778, principal and interest, maturing on different dates until July 2006	5,217	12,913
	1,187,558	580,423
Instalments due within one year	300,747	74,607
	886,811	505,816

(a) Under the terms of the credit agreements, the Company is subject to certain covenants.

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

	Obligations under capital leases	Other loans
	$	$
2006	212,871	118,320
2007	180,994	118,320
2008	26,136	117,070
2009	6,534	103,320
2010		58,400
2011 and thereafter		287,640
Total minimum lease payments	426,535	
Interest included in minimum lease payments	42,047	
	384,488	

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

12 - CAPITAL STOCK

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

Issued and fully paid
The following table presents the changes in the Company's capital stock over the years:

	Number	Amount
		$
Balance as at September 30, 2003	4,433,329	224,510
Shares issued on date of reverse takeover	17,721,692	230,720
Shares issued through public offering on August 24, 2004	1,200,000	240,000
Balance as at September 30, 2004 and 2005	23,355,021	695,230

In accordance with the requirements of the TSX Venture Exchange, 11,114,643 issued common shares were withheld under the terms of a share escrow agreement. Under the terms of the agreement, 10% of the escrowed common shares were released upon issuance of the final Exchange bulletin and 15% of the common shares will be released at six-month intervals thereafter, on the 12th, 18th, 24th, 30th and 36th month following the initial release.

13 - INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS

The changes in working capital items are detailed as follows:

	2005	2004
	$	$
Trade and other accounts receivable	(103,030)	39,583
Prepaid expenses	(18,135)	(9,343)
Accounts payable and accrued liabilities	146,686	30,227
Deferred revenues	278,556	193,780
	304,077	254,247

Cash flows relating to interest on operating activities amount to $61,714 in 2005 and $31,791 in 2004.

14 - STOCK OPTION PLAN

On June 25, 2004, the Company approved the "2004 Stock Option Plan" (the "New Plan"), which offers stock options to the Company's directors, employees and service providers. The exercise price is equal to the market value of the shares on the award date, with a minimal exercise price of $0.20. All options granted can be exercised within a maximum period of five years from the award date at the rate of 25% per year from the first anniversary of the award. The maximum number of common shares issuable under the New Plan is 20% of outstanding common shares and the maximum number of options that can be granted to one recipient is 5% of the total number of outstanding common shares. The maximum number of options that can be granted to a consultant or a person who carries on activities relating to investors is 2% of the total number of outstanding common shares.

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

14 - STOCK OPTION PLAN (Continued)

In connection with the reverse takeover and the restructuring of capital described in Note 2, the Company exchanged 33,000 stock options held by the employees of iWeb Group Technologies Inc. for 132,000 stock options under the New Plan. These new options maintain the same vesting periods and terms.

Changes in the number of stock options outstanding are as follows:

	2005		2004	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Issued, beginning of year	945,332	0.162	713,332	0.150
Issued during the year	250,000	0.200	100,000	0.200
Exchanged at reverse takeover			132,000	0.200
Expired	270,000	0.150		
Issued, end of year	925,332	0.176	945,332	0.162
Exercisable options, end of year	564,332	0.161	776,332	0.154

Outstanding stock options as at September 30, 2005 are as follows:

	Options outstanding			Options exercisable	
Exercise price	Number	Weighted average remaining contractual life	Weighted average exercise price	Number	Weighted average exercise price
			$		$
$0.15	443,332	2.53	0.150	443,332	0.150
$0.20	482,000	3.83	0.200	121,000	0.200
	925,332	3.21	0.176	564,332	0.161

Options for the acquisition of 925,332 common shares at a weighted average price of $0.176 per share outstanding as at September 30, 2005 (945,332 at $0.162 as at September 30, 2004) were not taken into account in the calculation of diluted earnings per share since the exercise price of the options was greater than the average price of the common shares.

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

14 - STOCK OPTION PLAN (Continued)

The fair value of options awarded to employees and non-employees during the year is $0.1051 ($0.0875 in 2004). The fair value of stock options was determined using the Black-Scholes option pricing model and the following assumptions:

	2005	2004
Expected dividend per share	Nil	Nil
Expected volatility	85% yearly	100% yearly
Risk-free interest rate	3.34%	3.89%
Expected life	4.5 years	4.5 years

15 - INCOME TAXES

	2005	2004
	$	$
Earnings before income taxes	201,372	69,019
Income taxes at the combined federal and provincial Canadian tax rate of 31.02%	62,466	21,410
Deductible temporary differences not recognized during the year	36,625	(15,457)
Other	(99,091)	(5,953)
	–	–

Future income tax assets amounting to $90,117 in 2005 and $53,492 in 2004 are not accounted for in the consolidated financial statements. These items are as follows:

	2005	2004
	$	$
Future income tax assets (liabilities)		
Unused tax losses	120,868	49,739
Share issue expenses	57,366	10,101
Other	9,456	8,319
Tangible assets	(97,573)	(14,667)
Valuation allowance	(90,117)	(53,492)
	–	–

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

15 - INCOME TAXES (Continued)

The future income tax assets resulting from operating losses are not accounted for in the consolidated financial statements. These losses, which are available to reduce income taxes in future years, aggregate $230,936 for federal purposes and $438,595 for provincial purposes and are detailed as follows:

	Federal	Provincial
	$	$
Amount of the loss carry-forwards for tax purposes expiring within the following years		
2007		42,657
2008		604
2009		81,695
2010		23,415
2011		161,481
2012		128,743
2013	8,658	
2014	93,532	
2015	128,746	
	230,936	438,595

16 - RELATED PARTY TRANSACTIONS

	2005	2004
	$	$
Transactions concluded in the normal course of business		
Legal fees to a legal firm where a partner is also a director of the Company		
Professional fees	–	3,579
Accounts payable and accrued liabilities	–	14,754

These transactions are measured at the exchange amount.

As at September 30, 2004, accounts payable and accrued liabilities include $14,754 payable to a legal firm where a partner is also a director of the Company.

17 - FINANCIAL INSTRUMENTS

Foreign exchange risk

The Company is exposed to foreign exchange risk due to cash and cash equivalents and trade and other accounts receivable denominated in U.S. dollars. As at September 30, 2005, assets in U.S. dollars consist of cash and cash equivalents and trade and other accounts receivable totalling US$128,812 (US$26,471 as at September 30, 2004).

The Company does not enter into agreements to hedge its foreign exchange risk exposure.

iWeb Group Inc.
Notes to Consolidated Financial Statements
September 30, 2005 and 2004

17 - FINANCIAL INSTRUMENTS (Continued)

Fair value

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

Short-term financial instruments

The fair value of short-term financial assets and liabilities approximates the carrying amount given that they will mature shortly.

Long-term debt

As at September 30, 2005 and 2004, the fair value of long-term debt is equivalent to its carrying amount. The carrying amount was determined by discounting future cash flows using rates that the Company can use for loans with similar terms and conditions and maturity dates.

18 - SEGMENTED INFORMATION

The Company offers Web application hosting solutions and is an intermediary for registering domain names. These two activities are complementary and constitute a single business segment. Since the Company's sole establishment is in Canada, the Company attributes all of its revenues to its country of domicile rather than to that of its customers.

19 - SUBSEQUENT EVENT

On December 14, 2005, the Company signed a $920,000 offer to purchase a building. This offer is conditional on certain terms being met. The Company intends to finance this acquisition through a bank loan.