

iWeb Group Inc.

Consolidated Interim Financial Statements

**First quarter ended
December 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 December 31, 2005 and 2004
(unaudited)

	2005	2004
	\$	\$
Revenues	<u>1 142 109</u>	<u>585 838</u>
Cost of services sold		
Bandwidth and direct costs	441 498	231 082
Amortization of tangible assets	68 439	30 435
	<u>509 937</u>	<u>261 517</u>
Gross profit	<u>632 172</u>	<u>324 321</u>
Operating expenses		
Amortization of tangible assets and client lists	42 182	18 217
Selling expenses	235 877	97 832
Administrative expenses	218 084	118 984
Financial expenses	30 821	12 161
	<u>526 964</u>	<u>247 194</u>
Earnings before future income taxes	105 208	77 127
Future income taxes	<u>32 726</u>	
Net earnings	<u>72 482</u>	<u>77 127</u>
Retained earnings (deficit) beginning	6486	-194886
Retained earnings (deficit) end	78968	-117759
Earnings per share, basic and diluted	<u>0,003</u>	<u>0,003</u>
Weighted average number of shares outstanding	<u>23 355 021</u>	<u>23 355 021</u>

See accompanying notes

iWeb Group Inc.
Consolidated balance Sheets

December 31 and September 30, 2005

	(unaudited) December 2005	(audited) September 2005
	\$	\$
Assets		
Current assets		
Cash and cash equivalent	222 621	42 933
Term deposits and note receivable	36 924	50 000
Trade and other accounts receivable	370 860	261 968
Prepaid expenses	66 429	46 623
	<u>696 834</u>	<u>401 524</u>
Client lists	230 627	237 202
Tangible assets	2 930 745	2 574 901
	<u>3 858 206</u>	<u>3 213 627</u>
Liabilities		
Current liabilities		
Account payable and accrued liabilities	820 213	625 143
Note payable, without interest, payable in November 2005		34 731
Deferred revenues	910 150	664 479
Deferred income taxes	32 726	
Instalments on long term debt	374 135	300 747
	<u>2 137 224</u>	<u>1 625 100</u>
Long term debt	942 284	886 811
	<u>3 079 508</u>	<u>2 511 911</u>
Shareholders' equity		
Capital stock	695 230	695 230
Contributed surplus - stock option plan	4 500	
Retained earnings	78 968	6 486
	<u>778 698</u>	<u>701 716</u>
	<u>3 858 206</u>	<u>3 213 627</u>

See accompanying notes

(signed) *Eric Chouinard*
Eric Chouinard, Director

(signed) *Martin Leclair*
Martin Leclair, Director

iWeb Group Inc.
Consolidated Cash Flows

For the quarters ended December 31, 2005 and 2004
(unaudited)

	2005	2004
	\$	\$
<i>Operating activities</i>		
Net earnings	72 482	77 127
Non-cash items		
Amortization of tangible assets	110 621	48 652
stock-based compensation expense	4 500	
Loss on disposal of fixed asset		9 187
Changes in working capital items	154 740	22 807
	<u>342 343</u>	<u>157 773</u>
<i>Investing activities</i>		
Disposal of term deposits	13 076	148 150
Tangible assets	-304 592	-139 023
Disposal of tangible assets		11 000
Purchase of business and subscribers list		-315 445
	<u>-291 516</u>	<u>-295 318</u>
<i>Financing activities</i>		
Bank debt		48 000
Long term debt	209 929	
Repayment of long term debt	-81 068	-22 139
Balance of sale on purchase of business		165 445
		<u>191 306</u>
	128 861	382 612
Net increase in cash and cash equivalent	179 688	53 761
Cash and cash equivalent, beginning	42 933	2 784
Cash and cash equivalent, end	<u>222 621</u>	<u>56 545</u>

See accompanying notes

iWeb Group Inc.

Notes to consolidated financial statements

December 31, 2005

(unaudited)

1- Interim Financial Statements

The interim financial statements for the three month period ended December 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 30, 2005. 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.

2- Long term debt

	December 31 2005 \$
First mortgage, secured by land and building, base rate plus 0.5% (7.5% on December 31 and 7% on September 30, 2005), repayable in monthly installments of \$ 2,820 plus interest, maturing in March 2019.	448 380
Term loans, secured by computer equipment, base rate plus 3% (8% on December 31 and 7.5% on September 30, 2005) repayable in monthly installments of \$ 1,250 and \$ 3,200, maturing in August 2008 and March 2010.	198 200
Term loan, secured by electrical equipment, base rate plus 6% (13% on December 31 and 12.5% on September 31, 2005), repayable in monthly instalments of \$2 590, maturing in January 2010.	126 910
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.	72 952
Obligations under capital leases, 11.95%, repayable in equal monthly blended payments of capital and interest of \$15 097, maturing on different dates between June and September 2007.	263 217
Term loan, secured by universal first lien on all movables and immovables, present and future, subject to subordinations, base rate plus 2.5% (8.75%), repayable by monthly instalments of \$6 250, maturing in November 2010.	203 669
Other	3 091
	<u>1 316 419</u>
Installments due within one year	<u>374 135</u>
	<u><u>942 284</u></u>

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

Obligations

	under capital leases
	<u> </u>
	\$
2006	210 391
2007	79 062
2008	26 136
2009	4 356
2010	
2011 and thereafter	
Total minimum payments	<u>319 945</u>
Interest included in minimum lease payments	<u>19 315</u>

3- Share Capital

Authorized

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

Issued and paid

As of December 31 and September 30, 2005, 23 055 021 common shares had been issued and were outstanding, for an amount of \$695 230.

Under the requirements of TSX Venture Exchange Inc., 11,114,643 common shares are held in escrow under an escrow agreement under which terms, 10% of the escrowed shares were released upon issuance of the Exchange bulletin and 15% additional escrowed 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 Sect 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.

5- Additional information on consolidated earnings and cash flows

for the three month periods ended December 31

	<u>2005</u>	<u>2004</u>
	\$	\$
Amortization of tangible assets	104 046	29 219
Amortization of intangible asset	6 575	19 343
Interest long term debt	27 029	9 997
Foreign exchange gain (loss)	1 074	3 736
Accounts payable included in tangible assets	226 582	67 806

30 September
2005

\$

456 840

211 550

134 680

78 541

300 730

5 217

1 187 558
300 747

886 811

Other

\$

193 320

193 320

192 070

178 320

75 900

144 229

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