

**iWeb Group Inc.**  
**Consolidated Financial Statements**  
**as at September 30, 2006 and 2005**

Management's Report	2
Auditors' Report	3
Financial Statements	
Consolidated Earnings	4
Consolidated Retained Earnings	5
Consolidated Balance Sheets	6
Consolidated Cash Flows	7
Notes to Consolidated Financial Statements	8 - 19



## 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 recommendation of the Audit Committee.

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

/s/ Martin Leclair  
Martin Leclair  
Vice-President and Chief Executive Officer

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

December 15, 2006

## Auditors' Report

To the Shareholders of  
iWeb Group Inc.

We have audited the consolidated balance sheets of iWeb Group Inc. as at September 30, 2006 and 2005 and the consolidated statements of earnings, retained earnings 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, 2006 and 2005 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 15, 2006

## iWeb Group Inc.

### Consolidated Earnings

Years ended September 30, 2006 and 2005

	2006	2005
	\$	\$
<b>Revenues</b>	5,754,242	2,935,235
Cost of services sold		
Network and direct costs	2,128,470	1,204,559
Amortization of tangible assets	505,753	223,740
	2,634,223	1,428,299
<b>Gross profit</b>	3,120,019	1,506,936
Operating expenses		
Amortization of tangible assets and client lists	57,636	47,985
Selling expenses	920,831	478,379
Administrative expenses	1,257,290	702,848
Financial expenses	225,816	76,352
	2,461,573	1,305,564
Earnings before income taxes	658,446	201,372
Income taxes		
Current	7,247	
Future	150,838	
	158,085	-
<b>Net earnings</b>	500,361	201,372
Net earnings per share, basic (Note 18)	0.0214	0.0086
Net earnings per share, diluted (Note 18)	0.0211	0.0086

The accompanying notes are an integral part of the consolidated financial statements and Note 5 provides additional information on the consolidated earnings.

**iWeb Group Inc.**  
**Consolidated Retained Earnings**

Years ended September 30, 2006 and 2005

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	<u>2006</u>	<u>2005</u>
	\$	\$
Retained earnings (deficit), beginning of year	6,486	(194,886)
Net earnings	<u>500,361</u>	<u>201,372</u>
Retained earnings, end of year	<u><u>506,847</u></u>	<u><u>6,486</u></u>

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

# iWeb Group Inc.

## Consolidated Balance Sheets

September 30, 2006 and 2005

	2006	2005
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	84,633	42,933
Term deposit and note receivable (Note 6)	400,000	50,000
Trade and other accounts receivable	509,812	261,968
Prepaid expenses	50,024	46,623
Future income taxes	13,905	
	<u>1,058,374</u>	<u>401,524</u>
Client lists (Note 7)	210,902	237,202
Tangible assets (Note 8)	5,793,477	2,574,901
Deferred financing expenses	46,835	
Future income taxes	72,121	
	<u>7,181,709</u>	<u>3,213,627</u>
<b>LIABILITIES</b>		
Current liabilities		
Demand loans (Note 9)	204,744	
Accounts payable and accrued liabilities	972,610	625,143
Note payable, without interest		34,731
Deferred revenues	1,105,324	664,479
Instalments on long-term debt	547,411	300,747
	<u>2,830,089</u>	<u>1,625,100</u>
Long-term debt (Note 10)	2,359,632	886,811
Subordinated debt (Note 11)	510,289	
Future income taxes	236,864	
	<u>5,936,874</u>	<u>2,511,911</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 12)	695,230	695,230
Contributed surplus - Stock-based compensation	42,758	
Retained earnings	506,847	6,486
	<u>1,244,835</u>	<u>701,716</u>
	<u>7,181,709</u>	<u>3,213,627</u>

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

On behalf of the Board,

/s/ Éric Chouinard  
Eric Chouinard, Director

/s/ Robert Brouillette  
Robert Brouillette, Director

## iWeb Group Inc.

### Consolidated Cash Flows

Years ended September 30, 2006 and 2005

	2006	2005
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net earnings	500,361	201,372
Non-cash items		
Commissions in consideration of note receivable	50,000	
Amortization of deferred financial expenses	4,044	
Amortization of client lists	26,300	25,791
Amortization of tangible assets	537,089	245,934
Capitalized interest	10,289	
Future income taxes	150,838	
Charge to stock-based compensation	42,758	
Loss on disposal of tangible assets		9,187
Changes in working capital items (Note 13)	337,033	304,077
Cash flows from operating activities	<u>1,658,712</u>	<u>786,361</u>
<b>INVESTING ACTIVITIES</b>		
Term deposit and note receivable	(400,000)	(50,000)
Receipt of term deposits		355,551
Tangible assets	(3,328,486)	(1,341,477)
Disposal of tangible assets		11,000
Acquisition of a business and client list		(157,768)
Cash flows from investing activities	<u>(3,728,486)</u>	<u>(1,182,694)</u>
<b>FINANCING ACTIVITIES</b>		
Deferred financing expenses	(50,879)	
Bank loan		(15,000)
Demand loans	224,804	
Repayment of demand loans	(20,060)	
Long-term debt	1,900,025	766,767
Repayment of loans	(407,685)	(184,571)
Subordinated debt	500,000	
Note payable	(34,731)	(130,714)
Cash flows from financing activities	<u>2,111,474</u>	<u>436,482</u>
<b>Net increase in cash and cash equivalents</b>	<b>41,700</b>	<b>40,149</b>
Cash and cash equivalents, beginning of year	<u>42,933</u>	<u>2,784</u>
Cash and cash equivalents, end of year	<u><u>84,633</u></u>	<u><u>42,933</u></u>

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

# iWeb Group Inc.

## Notes to Consolidated Financial Statements

September 30, 2006 and 2005

### 1 - INCORPORATION AND NATURE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on November 26, 2002. The Company provides hosting solutions for Web applications and is an intermediary in registering Web domain names.

### 2 - 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
	<u>368,910</u>
Liabilities	
Accounts payable and accrued liabilities	(28,526)
Due to shareholders of Parangon	(24,939)
	<u>(53,465)</u>
	<u><u>315,445</u></u>

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

**iWeb Group Inc.**  
**Notes to Consolidated Financial Statements**  
September 30, 2006 and 2005

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**3 - 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 - 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 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 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 name revenue:

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

# iWeb Group Inc.

## Notes to Consolidated Financial Statements

September 30, 2006 and 2005

### 4 - ACCOUNTING POLICIES (Continued)

#### Cash and cash equivalents

The Company's policy is to present cash and cash equivalents having a term of three months or less with cash and cash equivalents.

#### 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:

	<u>Rates</u>
Buildings	4 %
Internally developed software, computer equipment, furniture, equipment and office improvements and equipment and improvements to data centres (a)	15 %
Client lists	10 %

(a) Before October 1, 2004, furniture, equipment and office improvements and equipment and improvements to data centres 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.

#### Deferred financing expenses

Financing expenses are deferred and amortized over the corresponding term loans, until August 2011.

#### 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, 2006 and 2005

### 4 - 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.

### 5 - INFORMATION INCLUDED IN CONSOLIDATED EARNINGS

	2006	2005
	\$	\$
Amortization of tangible assets	537,089	245,934
Amortization of client lists	26,300	25,791
Interest on long-term debt	186,195	58,872
Loss on disposal of capital assets	-	9,187

### 6 - TERM DEPOSIT AND NOTE RECEIVABLE

	2006	2005
	\$	\$
Term deposit, prime rate minus 2.35% (3.65% as at September 30, 2006)	400,000	
Note receivable, 5%		50,000
	400,000	50,000

### 7 - CLIENT LISTS

The cost and cumulative amortization total \$262,993 and \$52,091 respectively (\$262,993 and \$25,791 as at September 30, 2005).

**iWeb Group Inc.**  
**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

**8 - TANGIBLE ASSETS**

	2006		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land (a)	475,372		475,372
Buildings (a)	1,615,036	72,384	1,542,652
Computer equipment	2,593,195	708,364	1,884,831
Furniture, equipment and office improvements	88,423	29,292	59,131
Equipment and improvements to data centres	981,310	128,869	852,441
Internally developed software	466,284	45,988	420,296
Assets under capital leases			
Computer equipment	324,066	58,913	265,153
Furniture and equipment	322,860	29,259	293,601
	<u>6,866,546</u>	<u>1,073,069</u>	<u>5,793,477</u>
			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, equipment and office improvements	61,717	18,031	43,686
Equipment and improvements to data centres	342,521	29,986	312,535
Internally developed 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
	<u>3,110,881</u>	<u>535,980</u>	<u>2,574,901</u>

(a) As at September 30, 2006, the cost of land and buildings included respectively \$17,893 and \$13,812 related to capitalized interest.

Accounts payable and accrued liabilities include \$271,318 relating to acquisitions of tangible assets (\$71,284 in 2005).

During the year, the Company acquired furniture and equipment for a total of \$227,145 by way of capital leases.

# iWeb Group Inc.

## Notes to Consolidated Financial Statements

September 30, 2006 and 2005

### 9 - CREDIT FACILITIES

The credit facilities are secured by the universality of the tangible and intangible movable property.

The credit facilities include:

- An operating credit for an authorized amount of \$100,000 in direct advances or in the form of letters of guarantee, bearing interest at the prime rate plus 1% (7% as at September 30, 2006) and renegotiable in May 2007;
- A special credit for the issue of MasterCard credit cards for a maximum authorized amount of \$100,000;
- A demand loan for an authorized amount of \$750,000, in direct advances, bearing interest at the prime rate plus 2.5% (8.5% as at September 30, 2006).

As at September 30, 2006, the operating credit has not been used, and a letter of guarantee was issued for \$34,010.

As at September 30, 2006, the special credit for the issue of the MasterCard credit cards has not been used.

As at September 30, 2006, the balance of the demand loans is \$204,744 and are repayable in monthly instalments of \$9,368 plus interest, maturing in June and August 2008.

Under the credit agreement, the Company is required to respect certain financial ratios. As at September 30, 2006, one of these ratios has not been respected. Subsequent to year end, the Company's creditor waived the existing default.

### 10 - LONG-TERM DEBT

	2006 \$	2005 \$
Mortgage loan, secured by land and building, base rate plus 0.5% (8.5% as at September 30, 2006; 7.25% in 2005), payable in monthly instalments of \$2,820 plus interest, maturing in March 2019	423,000	456,840
Mortgage loan, secured by land, a building and computer equipment, base rate plus 2.5% (10.5% as at September 30, 2006), payable in monthly instalments of \$6,500, plus interest until August 2011, followed by monthly payments of \$5,500 plus interest, maturing in August 2023 (a) (b)	1,175,500	
Term loans, secured by computer equipment, base rate plus 3% (9% as at September 30, 2006; 7.5% in 2005), payable in monthly instalments of \$4,450 plus interest, maturing in August 2008 and March 2010 (a)	158,150	211,550

**iWeb Group Inc.**  
**Notes to Consolidated Financial Statements**  
September 30, 2006 and 2005

**10 - LONG-TERM DEBT (Continued)**

	<u>2006</u>	<u>2005</u>
	\$	\$
Term loans, secured by equipment, base rate and base rate plus 6% (8% and 14% as at September 30, 2006; 6.75% and 12.75% in 2005; representing a combined rate of 11.87%; 10.62% in 2005), payable in monthly instalments of \$2,590 plus interest, maturing in January 2010	103,600	134,680
Term loan subject to partial present and future subordination, secured by the universality of present and future movable and immovable properties, base rate plus 2.5% (10.5% as at September 30, 2006), payable in monthly instalments of \$6,250 plus interest, maturing in November 2010	312,500	
Term loan subject to partial present and future subordination, secured by the universality of present and future movable and immovable properties, base rate plus 3% (11% as at September 30, 2006), payable in monthly instalments of \$5,500 plus interest, maturing in July 2011 (a) (b)	319,000	
Obligation under a capital lease, 4.8%, payable in monthly instalments of \$2,178, principal and interest, maturing in December 2008	55,714	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	146,412	300,730
Obligation under a capital lease, 7.5%, payable in monthly instalments of \$4,523, principal and interest, maturing in May 2011	213,167	
Obligations under capital leases, 16.56% and 19.84%		5,217
	<u>2,907,043</u>	<u>1,187,558</u>
Instalments due within one year	547,411	300,747
	<u><u>2,359,632</u></u>	<u><u>886,811</u></u>

- (a) Under the terms of the credit agreements, the Company is subject to certain covenants.
- (b) As at September 30, 2006, certain covenants have not been respected. Subsequent to year end, the Company's creditors waived the existing defaults.

**iWeb Group Inc.**  
**Notes to Consolidated Financial Statements**  
September 30, 2006 and 2005

**10 - LONG-TERM DEBT (Continued)**

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

	Obligations under capital leases	Other loans
	\$	\$
2007	235,273	337,333
2008	80,415	336,057
2009	60,813	322,320
2010	54,279	277,400
2011	36,145	178,340
2012 and thereafter		1,040,300
Total minimum lease payments	<u>466,925</u>	
Interest included in minimum lease payments	<u>51,632</u>	
	<u><u>415,293</u></u>	

**11 - SUBORDINATED DEBT**

	2006	2005
	\$	\$
Term loan, secured by the universality of the present and future movable and immovable property, subject to present and future subordination, 10.9%, plus a performance premium of \$150,000 and a 0.5% bonus of the market capitalization of the Company, payable in a lump-sum payment on March 26, 2011 (effective rate of 16.98% as at September 30, 2006)	<u>510,289</u>	<u>—</u>

Under the credit agreements, the Company is required to respect certain covenants. As at September 30, 2006, certain covenants have not been respected. Subsequent to year end, the Company's creditor waived the existing defaults.

**12 - CAPITAL STOCK**

**Authorized**

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

**Issued and fully paid**

	Number	Amount
		\$
Balance as at September 30, 2006 and 2005	<u>23,355,021</u>	<u>695,230</u>

In accordance with the requirements of the TSX Venture Exchange, 5,557,321 issued common shares were withheld under the terms of a share escrow agreement. Half of the shares withheld as at September 30, 2006 will be released on March 28, 2007 and the balance on September 28, 2007.

**iWeb Group Inc.**  
**Notes to Consolidated Financial Statements**  
September 30, 2006 and 2005

**13 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS**

The changes in working capital items are detailed as follows:

	2006	2005
	\$	\$
Trade and other accounts receivable	(247,844)	(103,030)
Prepaid expenses	(3,401)	(18,135)
Accounts payable and accrued liabilities	147,433	146,686
Deferred revenues	440,845	278,556
	<u>337,033</u>	<u>304,077</u>

Cash flows relating to interest on operating activities total \$172,179 in 2006 and \$61,714 in 2005.

**14 - STOCK OPTION PLAN**

On June 25, 2004, the Company approved the "2004 Stock Option Plan" (the "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 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.

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

	2006		2005	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of year	925,332	0.176	945,332	0.162
Issued	570,000	0.270	250,000	0.200
Expired			(270,000)	0.150
Balance, end of year	<u>1,495,332</u>	<u>0.212</u>	<u>925,332</u>	<u>0.176</u>
Exercisable options, end of year	<u>684,832</u>	<u>0.168</u>	<u>564,332</u>	<u>0.161</u>

**iWeb Group Inc.**  
**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

**14 - STOCK OPTION PLAN (Continued)**

Outstanding stock options as at September 30, 2006 are as follows:

Exercise price	Options outstanding			Exercisable options	
	Number	Weighted average remaining contractual life	Weighted average exercise price	Number	Weighted average exercise price
			\$		\$
\$0.15	443,332	1.53	0.150	443,332	0.150
\$0.20	482,000	2.83	0.200	241,500	0.200
\$0.27	570,000	4.47	0.270		
	<u>1,495,332</u>	3.07	0.212	<u>684,832</u>	0.168

The fair value of options awarded to employees and non-employees during the year is \$0.2310 (\$0.1051 in 2005). The fair value of stock options was determined using the Black-Scholes option pricing model, and the following assumptions:

	2006	2005
Expected dividend per share	Nil	Nil
Expected volatility	133% yearly	85% yearly
Risk-free interest rate	4.02%	3.34%
Expected life	4.5 years	4.5 years

**15 - INCOME TAXES**

	2006	2005
	\$	\$
Earnings before income taxes	<u>658,446</u>	<u>201,372</u>
Income taxes at the combined federal and provincial Canadian tax rate of 31.77% (31.02% in 2005)	209,189	62,466
Deductible temporary differences unrecognized during the year	(89,858)	36,625
Other	38,754	(99,091)
	<u>158,085</u>	<u>-</u>

## iWeb Group Inc.

### Notes to Consolidated Financial Statements

September 30, 2006 and 2005

#### 15 - INCOME TAXES (Continued)

Net future income taxes liabilities of \$150,838 as at September 30, 2006 and net future income tax assets of \$90,117, not accounted as at September 30, 2005, are as follows:

	2006	2005
	\$	\$
Future income tax assets (liabilities)		
Unused tax losses	39,636	120,868
Share issue expenses	38,180	57,366
Other	23,008	9,456
Tangible assets	(251,662)	(97,573)
Valuation allowance		(90,117)
	<u>(150,838)</u>	<u>—</u>

#### 16 - FINANCIAL INSTRUMENTS

##### Foreign exchange risk

The Company is exposed to foreign exchange risk due to cash and cash equivalents, trade and other accounts receivable and accounts payable and accrued liabilities denominated in U.S. dollars. As at September 30, 2006, assets in U.S. dollars consist of cash and cash equivalents and trade and other accounts receivable totalling US\$260,290 (US\$128,812 as at September 30, 2005); accounts payable and accrued liabilities total US\$16,678.

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

##### 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 and subordinated debt*

As at September 30, 2006 and 2005, the fair value of long-term debt and subordinated 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.

#### 17 - 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

**iWeb Group Inc.**  
**Notes to Consolidated Financial Statements**  
September 30, 2006 and 2005

country of domicile rather than to that of its customers.

**18 - EARNINGS PER SHARE**

The table below presents a reconciliation of basic and diluted earnings.

			2006
	Earnings	Weighted average number of shares	Earnings per share
	\$		\$
Basic earnings			
Net earnings	500,361		
Earnings available to common shareholders	500,361	23,355,021	0.0214
Diluted earnings			
Effect of dilutive securities			
Stock options		406,215	
Earnings available to common shareholders	500,361	23,761,236	0.0211
			2005
	Earnings	Weighted average number of shares	Earnings per share
	\$		\$
Basic and diluted earnings			
Net earnings	201,372	23,355,021	0.0086

Options for the acquisition of 1,495,332 common shares at a weighted average price of \$0.212 per share outstanding as at September 30, 2006 were taken into account in the calculation of diluted earnings per share since the exercise price of the options was lower than the average price of the common shares.

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 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.