

iWeb Group Inc.

Consolidated Interim Financial Statements

**Second quarter ended
March 31, 2006**

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, 2006 and 2005
(unaudited)

	March 31 2006 3 months	March 31 2005 3 months	March 31 2006 6 months	March 31 2005 6 months
	\$	\$	\$	\$
Revenues	1,378,125	665,540	2,520,234	1,251,378
Cost of services sold				
Network and direct costs	514,533	288,377	956,031	519,459
Amortization of tangible assets	91,046	37,431	159,485	67,866
	<u>605,579</u>	<u>325,808</u>	<u>1,115,516</u>	<u>587,325</u>
Gross profit	<u>772,546</u>	<u>339,732</u>	<u>1,404,718</u>	<u>664,053</u>
Operating expenses				
Amortization of tangible assets and client lists	47,532	19,820	89,714	38,037
Selling expenses	233,437	94,518	469,314	192,350
Administrative expenses	265,846	182,017	483,930	291,814
Financial expenses	36,674	17,996	67,495	30,157
Loss on disposal of asset				9,187
	<u>583,489</u>	<u>314,351</u>	<u>1,110,453</u>	<u>561,545</u>
Earnings before income taxes	189,057	25,381	294,265	102,508
Future income taxes			32,726	
Net earnings	<u>189,057</u>	<u>25,381</u>	<u>261,539</u>	<u>102,508</u>
Retained earnings (deficit) beginning	78,968	-117,759	6,486	-194,886
Retained earnings (deficit) end	<u>268,025</u>	<u>-92,378</u>	<u>268,025</u>	<u>-92,378</u>
Earnings per share, basic and diluted	<u>0,008</u>	<u>0,001</u>	<u>0,011</u>	<u>0,004</u>
Weighted average number of shares outstanding	<u>23,355,021</u>	<u>23,355,021</u>	<u>23,355,021</u>	<u>23,355,021</u>

See accompanying notes

Note 5 contains supplementary information on consolidated earnings.

iWeb Group Inc.

Consolidated balance Sheets

March 31, 2006 and September 30, 2005

	(unaudited) March 2006	(audited) September 2005
	\$	\$
Assets		
Current assets		
Cash and cash equivalent	142,751	42,933
Term deposit and note receivable	29,332	50,000
Trade and other accounts receivable	430,132	261,968
Prepaid expenses	94,732	46,623
	<u>696,947</u>	<u>401,524</u>
Clients lists	224,566	237,202
Tangible assets	4,144,676	2,574,901
Future income taxes	250,000	
	<u>5,316,189</u>	<u>3,213,627</u>
liabilities		
Current liabilities		
Account payable and accrued liabilities	762,116	625,143
Deferred revenues	1,005,478	664,479
Note payable, without interest, payable in November 2005		34,731
Instalments on long term debt	371,592	300,747
	<u>2,139,186</u>	<u>1,625,100</u>
Long term debt	1,922,022	886,811
Deferred income taxes	282,726	
	<u>4,343,934</u>	<u>2,511,911</u>
Shareholders' equity		
Capital stock	695,230	695,230
Contributed surplus - stock option plan	9,000	
Retained earnings	268,025	6,486
	<u>972,255</u>	<u>701,716</u>
	<u>5,316,189</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 March 31, 2006 and 2005
(unaudited)

	March 31 2006 3 months \$	March 31 2005 3 months \$	March 31 2006 6 months \$	March 31 2005 6 months \$
Operating activities				
Net earnings	189,057	25,381	261,539	102,508
Non-cash items				
Amortization of tangible assets	138,578	57,251	249,199	105,903
Loss on disposal of fixed assets				9,187
Future income taxes			32,726	
Stock-based compensation expense	4,500		9,000	
Changes in working capital items	-87,167	127,610	380,431	144,631
	<u>244,968</u>	<u>210,242</u>	<u>932,895</u>	<u>362,229</u>
Investing activities				
Term deposits and note receivable	7,592	55,552	20,668	203,702
Tangible assets	-1,309,625	-567,024	-1,925,070	-700,261
Disposal of tangible assets				11,000
Acquisition of business and clients list				-315,445
	<u>-1,302,033</u>	<u>-511,472</u>	<u>-1,904,402</u>	<u>-801,004</u>
Financing activities				
Bank loan				48,000
Repayment of long term debt	-107,866	-30,630	-188,934	-52,769
Balance of purchase price				165,445
Repayment balance of purchase price		-104,430	-34,731	-104,430
Long term debt	1,085,061	438,353	1,294,990	438,353
	<u>977,195</u>	<u>303,293</u>	<u>1,071,325</u>	<u>494,599</u>
Net increase in cash and cash equivalent	-79,870	2,063	99,818	55,824
Cash and cash equivalent, beginning	222,621	56,545	42,933	2,784
Cash and cash equivalent, end	<u>142,751</u>	<u>58,608</u>	<u>142,751</u>	<u>58,608</u>

See accompanying notes

iWeb Group Inc.

Notes to consolidated financial statements

March 31, 2006

(unaudited)

1- Interim Financial Statements

The interim financial statements for the three and six month periods ended March 31, 2006 and 2005 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

	31 mars 2006	September 30 2005
	\$	\$
First mortgage, secured by land and building, base rate plus 0.5% (8% on March 31, 2006 and 7% on September 30, 2005), repayable in monthly installments of \$ 2,820 plus interest, maturing in March 2019.	439,920	456,840
First mortgage, secured by land, building and equipment, base rate plus 2.5% (10% on March 31, 2006), authorized to \$ 1,195,000, repayable by 62 monthly capital instalments of \$ 6,500 starting in August 2006, followed by 144 monthly capital instalments of \$ 5,500, maturing in August 2023.	920,000	
Term loans, secured by computer equipment, base rate plus 3% (8.5% on March 31, 2006 and 7% on September 30, 2005) repayable in monthly installments of \$ 1,250 and \$ 3,200, maturing in August 2008 and March 2010.	184,850	211,550
Term loan, secured by electrical equipment, base rate plus 6% (13.5% on March 31, 2006 and 12.5% on September 30, 2005), repayable in monthly instalments of \$ 2,590 maturing in January 2010.	119,140	134,680
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.	70,478	78,541
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.	209,236	300,730
Term loan, secured by lien on all movables and immovables, present and future, subject to present and future subordinations, base rate plus 2.5%(10% on March 31, 2006) repayable by monthly instalments of \$6,250, maturing in November 2010.	349,990	
Other		5,217
	2,293,614	1,187,558
Installments due within one year	371,592	300,747
	1,922,022	886,811

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

	Obligations under capital leases	Other
	\$	\$
2007	207,300	251,820
2008	93,276	271,320
2009	23,958	257,570
2010		235,600
2011		161,840
2012 and thereafter		835,750
Total minimum payments	<u>324,534</u>	
Interest included in minimum lease payments	<u>44,820</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., 8,335,982 common shares are held in escrow under an escrow agreement under which terms, 2,778,661 shares will be released at six month intervals hereafter.

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

For the periods ended March 31

	March 31 3 months 2006	March 31 3 months 2005	March 31 6 months 2006	March 31 6 months 2005
	\$	\$	\$	\$
Amortization of tangible assets	132,260	50,804	236,563	93,009
Amortization of intangible asset	6,318	6,447	12,636	12,894
Interest long term debt	32,074	11,445	59,103	21,392
Accounts payable included in tangible assets	190,016	42,151	190,016	42,151

