



**PRESS RELEASE  
For Immediate Publication**

## **ICEWEB REPORTS FISCAL THIRD QUARTER FINANCIAL RESULTS**

### ***- Year-over-Year Revenues Increased 46% -***

**STERLING, VA – (PR NEWSWIRE) – August 16, 2010** – IceWEB™, Inc., (OTC BB: IWEB), a leading provider of unified data storage and building blocks for cloud storage, announced today results for the fiscal 2010 third quarter period ended June 30, 2010.

#### Quarterly Highlights and Recent Developments

- Revenue exceeds \$1.2 million in the fiscal third quarter
- Gross margins maintained at 49%
- Company completes equity raise of \$2.3 million
- Positive shareholders' equity at June 30, 2010
- Order flow accelerating as channel partners ramp up efforts
- Company signs 29 VARs in 1<sup>st</sup> quarter of channel partner program launch

In the quarter ending June 30, 2010, the Company reported revenue of \$1,203,878, as compared to quarterly revenue of \$826,182 for the year-ago period. The year-over-year increase in revenue was due to the increase in data storage product sales versus the year-ago quarter. For the three month period ending June 30, 2010, the Company reported a loss of \$1,423,743, versus a loss of \$948,906 for the year-ago period.

Gross margin was 49% for the three months ending June 30, 2010, down slightly from 51% in the year earlier period. Storage revenue for the three months ended June 30, 2010, accounted for approximately 95% of the Company's revenue compared to the year earlier period, when sales of storage products accounted for 92% of revenue.

For the nine month year-to-date period ending June 30, 2010, the Company reported revenue of \$2,815,900, a decrease from the year ago period revenue of approximately \$3,936,500. The Company reported a loss for the nine months ended June 30, 2010 of \$4,771,693 versus earnings of \$1,114,000 in the year earlier period. In March 2009, IceWEB sold a subsidiary that accounted for prior year year-to-date sales of approximately \$1,625,700. After adjusting for the sale of the subsidiary, prior year year-to-date revenue would have been approximately \$2,310,800. Excluding the revenue from the disposed-of subsidiary, year-over-year revenue increased approximately \$505,100, or 21.9%. The sale of the subsidiary was facilitated to ensure focus on the data storage business model.

Gross margins were 52% for the fiscal nine months ending June 30, 2010, up from 37% in the year earlier period, due primarily to increased sales of high margin data storage products. Storage revenue for the nine months ended June 30, 2010 accounted for approximately 94.6% of the Company's revenue compared to the year earlier period, when sales of storage products accounted for 53% of revenue.

The Company reports results on both a GAAP and a non-GAAP basis. Non-GAAP results excludes the impact of equity-based compensation and amortization of intangible assets, and includes the unrealized gain on marketable securities.

John R. Signorello, Chairman and CEO, stated, "The third quarter of fiscal 2010 attained our internal growth plans while maintaining a tight control on overhead expenses. At the same time, we prepared the Company for significant future

growth by securing funds of \$2.3 million through a private offering. We have diminished our cash burn level in the quarter and believe we are nearing revenue levels to be cash flow neutral. We also launched our distribution model with Promark Technologies.”

“Our management team combined with the key alliances, such as Promark Technologies, ESRI and Google, give us confidence that our ambitious sales and earnings goals will be attained. We have also seen our pipeline of new business opportunities rise into the millions of dollars, which is a direct result of our strong distribution network, which we expect to expand upon in coming months. Noting the accelerating order inflow for our storage platform and the rousing acceptance of our recently announced IceWEB 5000 Storage System, leads us to anticipate that an upward revision of our goals may be appropriate in the near future,” stated Mr. Signorello.

Mr. Signorello concluded, “The massive amounts of data that are being generated daily will require a vast number of storage systems to both store and manage the data. EMC, a leader in the storage industry, recently sponsored an IDC report “*The Digital Universe Decade*” that in the period from 2009-2020, the digital universe is expected to grow by a factor of 44. We are very confident that the steps we have taken will position IceWEB as a key supplier in this burgeoning market.”

### **Non-GAAP Financial Measures**

In this release, the Company’s adjusted net income is not presented in accordance with generally accepted accounting principles (GAAP) and is not intended to be used in lieu of GAAP presentations of results of operations. This measure is presented because management believes it provides additional information to investors with respect to the performance of our fundamental business activities. Adjusted net income is a Non-GAAP financial measure and should not be viewed as an alternative to GAAP measures of performance. Management believes the most directly comparable GAAP financial measure for adjusted net income is net income and has provided a reconciliation of adjusted net income to net income at the end of this release. GAAP net loss for the fiscal second quarter was \$1,838,315 or (\$0.02) per share based on 88.2 million weighted average shares outstanding. This compares to GAAP net income of \$2,721,940 or \$0.08 per share for the second quarter of fiscal 2009.

- More -

**Reconciliation of GAAP Net Loss to Non-GAAP Adjusted EPS  
(Unaudited)**

	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
Net income (loss )	(\$1,423,743)	(\$948,906)	(\$4,771,693)	\$1,114,000
Amortization of intangible assets	60,773	83,729	182,318	167,458
Stock-based compensation	357,173	331,753	2,229,445	963,132
Unrealized gain on marketable securities	(1,120,000)	-	752,000	-
Adjustments to GAAP loss	(702,055)	415,482	3,163,763	1,130,590
Adjusted earnings (loss)	<u>(\$2,125,798)</u>	<u>(\$533,424)</u>	<u>(\$1,607,930)</u>	<u>\$2,244,590</u>
Adjusted EPS	(\$0.02)	(\$0.01)	(\$0.02)	\$0.06

**About IceWEB, Inc.**

Headquartered just outside of Washington, D.C., IceWEB manufactures and markets data storage products. For more information, please visit [www.IceWEB.com](http://www.IceWEB.com).

*This press release may contain forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In some cases you can identify those so-called "forward looking statements" by words such as "may," "will," "should," "expects," "plans," "targets," "believes," "anticipates," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. These forward looking statements are subject to risks and uncertainties, product tests, commercialization risks, availability of financing and results of financing efforts that could cause actual results to differ materially from historical results or those anticipated. Further information regarding these and other risks is described from time to time in the Company's filings with the SEC, which are available on its website at: <http://www.sec.gov>. We assume no obligation to update or alter our forward-looking statements made in this release or in any periodic report filed by us under the Securities Exchange Act of 1934, as amended, or any other document, whether as a result of new information, future events or otherwise, except as otherwise required by applicable federal securities laws.*

- Tables to Follow -

**ICEWEB, Inc.**  
**Consolidated Balance Sheets**

	<b>June 30, 2010</b>	<b>September 30, 2009</b>
<b>CURRENT ASSETS:</b>	<b>(Unaudited)</b>	<b>(1)</b>
Cash	\$ 1,276,863	\$ 63,310
Accounts receivable, net	1,691,605	424,919
Inventory	114,746	151,361
Other current assets	13,750	6,390
Prepaid expenses	42,544	25,180
	3,139,508	671,160
 <b>OTHER ASSETS:</b>		
Property and equipment, net	524,119	752,162
Deposits	13,320	13,320
Marketable Securities	800,000	0
Intangible assets, net	607,725	790,042
Total Assets	\$ 5,084,672	\$ 2,226,684
 <b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 1,903,186	\$ 1,971,376
Notes payable	1,753,194	1,847,755
Deferred revenue	47,584	10,261
	3,703,964	3,829,392
 <b>Long-Term Liabilities</b>		
Notes Payable	1,057,554	934,756
Total Liabilities	4,761,518	4,764,148
 <b>Stockholders' Equity (Deficit)</b>		
Series B convertible preferred stock (\$.001 par value; 1,253,334 shares issued and outstanding)	626	626
Common stock (\$.001 par value; 1,000,000,000 shares authorized; 121,951,604 shares issued and 121,789,104 shares outstanding)	121,791	68,471
Additional paid in capital	26,974,988	20,064,997
Accumulated deficit	(27,430,251)	(22,658,558)
Accumulated other comprehensive income	752,000	0
Subscription receivable	(83,000)	0
Treasury stock, at cost, (162,500 shares)	(13,000)	(13,000)
Total stockholders' equity (deficit)	323,154	(2,537,464)
Total Liabilities and Stockholders Equity (Deficit)	\$ 5,084,672	\$ 2,226,684

(1) Derived from audited financial statements

- More -

**ICEWEB, Inc.**  
**Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended		Nine Months Ended	
	June 30		June 30	
	2010	2009	2010	2009
<b>Sales</b>	\$1,203,878	\$ 826,182	\$2,815,900	\$3,936,472
<b>Cost of sales</b>	613,287	404,641	1,343,006	2,478,707
<b>Gross profit</b>	590,591	421,541	1,472,894	1,457,765
<b>Operating expenses:</b>				
Marketing and selling	404,443	357,596	1,189,661	864,184
Depreciation and amortization expense	165,585	85,793	495,984	432,839
Research and development	167,061	94,020	353,092	250,450
General and administrative	1,130,005	688,154	3,783,654	1,739,492
<b>Total Operating Expenses</b>	1,867,094	1,225,563	5,822,391	3,286,965
<b>Loss From Operations</b>	(1,276,503)	(804,022)	(4,349,497)	(1,829,200)
<b>Other income (expenses):</b>				
Gain/(loss) from sale of assets	0	0	0	3,452,236
Interest income	0	0	0	1,142
Interest expense	(147,240)	(144,884)	(422,196)	(510,178)
<b>Total other income (expenses):</b>	(147,240)	(144,884)	(422,196)	2,943,200
<b>Net income (loss)</b>	\$ (1,423,743)	\$(948,906)	\$(4,771,693)	\$1,114,000
Basic income (loss) per common share	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ 0.03
Diluted income (loss) per common share	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ 0.03
Weighted average common shares outstanding basic	110,570,437	38,794,632	92,635,584	35,431,837
Weighted average common shares outstanding diluted	110,570,437	38,794,632	92,635,584	37,637,725

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**ICEWEB, Inc.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>June 30,</b>	
	<b>2010</b>	<b>2009</b>
NET CASH USED IN OPERATING ACTIVITIES	\$ (2,900,065)	\$ (1,396,144)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(85,624)	(28,318)
Investment in marketable securities	(48,000)	-
NET CASH USED IN INVESTING ACTIVITIES	(133,624)	(28,318)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of equipment financing	-	(45,114)
Proceeds from the sale of restricted common stock	2,320,630	97,000
Proceeds from notes payable	985,900	7,060,871
Payments on notes payable	(957,662)	(6,122,036)
Proceeds from exercise of common stock options	1,898,374	454,300
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,247,242	1,445,021
NET INCREASE IN CASH	1,213,554	20,559
CASH - beginning of period	63,310	4,780
CASH - end of period	\$ 1,276,863	\$ 25,339
Supplemental disclosure of cash flow information:		
Cash paid for :		
Interest	\$ 402,056	\$ 365,294
Income taxes		

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