

ENVIRONMENTAL WASTE INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE YEAR ENDING DECEMBER 31, 2002

The following discussion and analysis of the operating results and financial position of the Company for the year ending December 31, 2002 should be read in conjunction with the financial statements enclosed herein for the year ending December 31, 2002.

OVERVIEW

The core business of Environmental Waste International Inc. (EWI) is the development, production and sale of environmentally sound devices utilizing EWI's patented Microwave Process. From 1993 to 1996, EWI concentrated its efforts on the design and development of systems that could break down used tires into byproducts (especially carbon black) in a pure enough form to be reused in new rubber products. From 1997 to early 2002, the company redirected its efforts towards designing and building systems that could treat infected medical waste. This work culminated in the Precision Analysis (a UK government accredited lab) report (released June 2002) on the efficiency of EWI's MD1000 and its environmentally sound manner of sterilizing infected clinical waste.

April 2002 also saw a change in EWI's upper management as well as several changes in the company's focus and approach to marketing and sales. One of these changes was a decision to redirect most of the sales efforts back to the tire processor markets. This decision was based on several factors including public concerns over health issues relating to tire dumps and new European and UK legislation starting in July 2003 banning the dumping of tires at landfill sites.

The company's decision to redirect the sales efforts to the tire recycling market was rewarded before the end of 2002 by attracting a U.K. group to buy and operate a TR3000 tire processor. The TR3000 can break down 3000 tires per day (over 1 million tires per year) and gives EWI the opportunity to launch a commercial operation of its tire technology. The purchasers are in the waste industry and presently run a business that works on government contracts to deal with various waste streams. EWI was paid an initial deposit on this sale in late December 2002. The final purchase agreement as well as the balance of the deposit was paid and announced in mid January 2003.

During 2002 an engineering firm under contract to the USDA (United States Department of Agriculture) approached EWI to explore the possibility of designing a processor that could treat liquid biological waste. EWI designed a new unit called the FS6000 and EWI built a small prototype to demonstrate that such a unit could meet performance requirements. The prototype was designed and built in two months and in July 2002 it was successfully tested and witnessed by representatives of the USDA. In February 2003, the USDA awarded EWI a contract to supply the FS6000 unit to the National Plant Germplasm Quarantine Center in Maryland. The construction of the FS6000 unit should be completed by mid 2003 and installed and operating before the end of 2003.

Accounting Policies

Several accounting policies are important to understanding our historical and future performance as well as the areas involving management's judgments and estimates. These critical accounting policies and estimates relate to amortization of capital assets, revenue recognition and value of patents and technology. These relevant policies, and procedures related to these policies, are described in detail in Note 2 of the accompanying financial statements.

Write Down of Patents and Technology

The Company has elected to write down the book value of its patent rights to bring them in line with their estimated present market value. This adjustment does not affect cash. During the past nine years, the company has purchased and expanded its patent rights by issuing shares at various market prices. This has resulted in an asset whose value was established on the price of the stock at the time of its issuance. It is felt that the \$500,000 value is a better reflection of the current worth of these assets.

Results of Operations

For the fiscal year ended December 31, 2002, revenues were \$31 compared to \$196,028 for the year ended December 31, 2001.

In the fiscal year ended December 31, 2002, expenses (prior to write downs) were \$2,810,321 compared to \$3,325,250 for the fiscal year ended December 31, 2001, representing a reduction of over 15%. The 2002 monthly average for operation and administrative expenses, including payroll, was \$141,190 versus a monthly operation and administrative expense for 2001 of \$185,691.

As sales efforts continue to progress, the company anticipates an increase in operating expenses, although additional deposits and milestone payments should offset these expenses.

Liquidity and Capital Resources

At December 31, 2002, we had \$688,641 in cash versus \$241,306 at December 31, 2001. This amount has increased by the additional deposits on the TR3000 sale announced in January 2003. At December 31, 2002, the company carried \$234,996 in net receivables, part of which is from the earlier sale in 2000 of an MD1000 to Recycled Waste Ltd, UK. Although this amount is

substantially less than the \$702,630 in gross receivables as of December 31, 2001, the company can offer no guidance as to RWL's ability to pay such debt.

We believe that the total amount of cash and cash equivalents will be sufficient to meet our cash needs for working capital or other purposes at this time

The Immediate Future

Except for historical information, certain matters discussed in this section are by their nature forward-looking and are subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made. These include, but are not limited to, changing market and industry conditions, the establishment of new corporate alliances, the impact of competitive products and their pricing, timely development of existing and new products, the difficulty of predicting regulatory approval and market acceptance for the Company's products, availability of capital or other funding, the ability to retain and recruit qualified personnel, and other risks, known or unknown.

EWI continues to pursue sales in several other markets, including North and South America, Europe, the Middle East and several Pacific Rim countries. Recent world events, namely health related (SARS, West Nile Virus) and war related (biological threats), have dramatically increased the interest in both our medical and tire technologies. EWI recognizes the importance of moving forward to take advantage of these opportunities, but we also understand that we cannot grow too fast without risking the financial stability and future strength of the company. We plan to continue growing the company at a pace that will allow us to meet our obligations without over taxing our resources.

Our past has helped to build a company ready to move forward. We know that we have a product that is needed throughout the world. We hope to build a truly international company with global appeal. 2003 has started off with two major contract announcements. EWI must now prove to potential clients as well as the market and outside investors that we can deliver these products. We believe we are up to that challenge.

| **On behalf of the Board of Directors**

| **“Stephen Simms”**

| **President**