

ENVIRONMENTAL WASTE INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE YEAR ENDING DECEMBER 31, 2003

The following discussion and analysis of the operating results and financial position of the Company for the year ending December 31, 2003 should be read in conjunction with the audited financial statements for year ended December 31, 2003 and the related notes.

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. EWI has presently designed and developed systems that have direct applications in the safe disposal or recycling of three different waste streams. The TR series systems have been designed to break down used tires into by-products (especially carbon black) in a pure enough form to be reused in new rubber products. The MD series systems are designed to fully sterilize infectious medical and animal waste leaving a carbonized residue that is safe for disposal. The FS series systems sterilize liquid biological waste without the need to filter out small solid particles.

The work on the medical waste system (MD1000) culminated in June 2002 when Precision Analysis (a 3rd party lab) released its report on the efficiency of EWI's MD1000 and its environmentally sound manner of sterilizing infected clinical waste.

During 2003, the company was awarded a contract from the United States Department of Agriculture (USDA) to build and install a processor (FS6000) that would treat liquid biological waste. The FS6000 unit was designed for the National Plant Germplasm Quarantine Center in Maryland. The construction of the FS6000 unit was completed in late August and was viewed in Ajax by a representative of the USDA. The USDA approved the system as meeting their performance requirements and EWI shipped the unit in December of 2003. The project has extended into 2004, as EWI continues to work closely with the USDA on certain upgrades to the system and the Maryland facility.

In early 2003, the company received a deposit from a UK group of over \$1 million towards the purchase of a TR3000 tire processor. EWI has completed the initial phase of this work, which included a detailed engineering overview by a multinational engineering firm. At this time, EWI continues to wait for the purchasers' approval to proceed to the manufacturing phase of the project. It is anticipated that this phase will begin sometime in 2004 and the first operating line of the system will be ready for installation during 2005.

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 company's year-end audited financial statements for December 31, 2003.

Results of Operations

For the fiscal year ended December 31, 2003, revenues from sales of equipment were \$753,960 compared to \$0 for the year ended December 31, 2002. The revenue for the year includes only the portion of the USDA project that became due and payable based on mutually agreed to milestones. Except for those milestones attained by year-end, EWI has not included any revenue or receivable for the balance of the project on the 2003 financial statement.

In the fiscal year ended December 31, 2003, expenses, excluding those related to the manufacture of the above system and any write down of assets held, were \$1,821,531 compared to \$2,718,487 for the fiscal year ended December 31, 2002. The monthly average for the year end of 2003 for general and administrative expenses, including payroll but excluding manufacturing expense, was \$132,318 versus a monthly operation and administrative expense for 2002 of \$121,637. The increased expenses are directly related to the increased staff and supplies needed to complete the USDA project.

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, 2003, the company had \$221,787 in cash versus \$688,641 at December 31, 2002. At December 31, 2003, the company carried \$170,575 in net receivables versus \$234,995 a year earlier. The 2002 receivables included \$99,540 from the UK medical sale to Recycled Waste Limited, which was rebooked as bad debt in 2003 and is not included in the 2003 year-end balance.

Management anticipates that cash flow in 2004, including the balance still to be billed on the USDA sale as well as additional income for work performed onsite, will help offset most of the working capital needs of the company. Depending on the timing of the resumption of payments on the UK tire sale and success on closing other sales, the company may deem it necessary to raise additional working capital throughout the year.

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 has opened the door to many new opportunities as it has begun the transition from R&D to a revenue-based company. Along the way we have adopted a new attitude towards sales and marketing. We are no longer trying to sell our products as off the shelf units, but we are working with potential clients to design systems that meet their needs.

The recent success with the USDA has given EWI a major boost in how other interested parties view our company. We have seen an increase in interest and awareness of our company and our products. Paramount at this stage of our growth is how we handle these new opportunities. We are attempting to prioritize our projects and we have begun to focus on motivated clients that have the desire and means to help us reach our true potential. Learning from other companies, we have decided to prepare for future growth by strengthening our alliances with certain suppliers that share both our enthusiasm and belief in our future potential.

EWI continues to pursue sales of our present medical waste system, the MD1000, namely in South America, Africa, Western Europe and Asia. Interest in EWI's tire systems, the TR series, continues to grow across North America and Europe. Several groups are currently in the final stages of reviewing our tire systems for viability in their areas. The delivery and installation of the biological liquid waste system for the USDA has generated new interest in this application. EWI will be targeting facilities similar to the USDA's site in Maryland as we pursue new sales in this marketplace.

As we enter this next phase of our corporate growth, we have come to understand that planning for our success is almost as important as achieving it. We are busy working with several groups to help prepare us for growth in sales without overburdening the company's financial resources. We are proud of our recent accomplishments and excited to face the challenges ahead.

On behalf of the Board of Directors

"Stephen Simms"

President