ENVIRONMENTAL WASTE INTERNATIONAL

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2004

Nature of Business

Environmental Waste International Inc.'s (EWI) business is the design, development and sale of environmentally friendly devices that deal with waste treatment and disposal. The cornerstone of EWI's product lines is the patented Microwave Process and delivery system. EWI currently has designed systems for the safe disposal or recycling of three different waste streams, and believes that its processes will have many future applications. The FS Series sterilizes liquid biological waste without the need to filter out small solid particles. The TR Series has been designed to break down used tires into usable byproducts (especially carbon black) in a pure enough form that can be used in new products. The MD Series is designed to fully sterilize and carbonize infectious medical and animal waste leaving a residue that is safe for handling and disposal.

It is the Company's belief that these microwave applications will achieve widespread acceptance in due course. The public, governments and industries worldwide are recognizing the need for technology to deal with the disposal of waste and with the treatment of waste products. EWI provides a unique and effective solution.

FS Series – Liquid Biological Waste System

In February 2003, the Company was awarded a contract from the United States Department of Agriculture (USDA) to design, build and install a liquid biological waste processor. The unit was designed for the National Plant Germplasm Quarantine Center in Maryland, and was officially commissioned in January 2005. EWI was also given a 5-year warranty agreement and is presently working with the USDA to finalize an ongoing maintenance contract.

TR Series – Used Tire Processor System

In 2003, the Company received a deposit of over $1 million towards the purchase of a TR3000 tire processor. EWI completed the initial phase of this work, which included a review of the system's design by a multinational engineering firm. EWI has now recognized this project as revenue, as the contract was not completed.

Although EWI has no further commitment to the purchasers, they have expressed interest in proceeding to the next stage of the TR3000, which is the manufacturing and processing of the system components. A deposit from the purchaser will be required before commencement of this work.

MD Series – Medical Waste Systems

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. EWI is currently in discussions with parties who have expressed interest in these systems, especially since the successful completion of the FS installation and USDA approval.

Highlights of 2004

EWI believes that 2004 was a landmark year in the Company's history.

The Company had its first commercial system officially commissioned in January 2005. The installation is in a high profile environment, and is generating substantial attention. The USDA has requested further contract work on the continuing maintenance of the operation.

As a result of that installation, the Company is receiving numerous inquiries from credible parties, and the reputation of EWI as a viable alternative is growing. There is also a spin-off of interest in other EWI systems.

As a result of its achievements, the Company has been requested to present its technology to a number of interested parties and has also received requests for specific quotes on upcoming projects. These matters are ongoing.

EWI successfully completed its application to the Government of Canada for monies resulting from scientific research and development in 2002 and 2003. Refunds totaling $633,000 were approved and received subsequent to the year-end.

EWI restated and refiled its 2003 audited financial statements together with 2002 comparatives, and also restated and refiled its quarterly financial statements for the March, June and September 2004 quarters, with 2003 comparatives. The Company believes that these restatements are in accordance with all current accounting proposals and illustrate the Company's commitment to its shareholders.

Accounting Policies

Management's discussion and analysis of the financial condition and results of operations ("MD&A") for the year ended December 31, 2004 should be read in conjunction with the Company's fiscal 2004 audited financial statements which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

The reporting currency in this MD&A and in the Company's Financial Statements is Canadian dollars.

EWI's accounting policies are important to understanding EWI's historical and future performance as well as the areas involving management's judgments and estimates. These policies are set out in note 1 to the financial statements.

Sales cycles of EWI's patented Microwave Process and delivery systems involve unusually lengthy periods of time and this can have a direct affect on the profitability of sales through changes in component costs, market conditions, exchange rates and general costs outside of the Company's control. Consequently, future projections based on previous financial statements using historical costs or profitability cannot be relied upon as a guide to future earnings.

Forward-looking Statements

This MD&A contains forward-looking statements, including statements about projected future revenues, expenses and cash flows, and possible plans to raise additional capital, and other statements about the Company's plans, objectives and expectations. Forward-looking statements are based on the opinions and estimates of management at the time the statements are made and are subject to risks and uncertainties that could cause actual actions and results to differ materially from those anticipated in the forward-looking statements. The words "anticipate," "believe," "expect," "intend," variations of such words, and similar expressions identify forward-looking statements, but their absence does not mean that the statement is not forward-looking. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict.

Outlook & Growth Strategy

Based on recent accomplishments, EWI is pursing sales opportunities worldwide. EWI has been approached and is presently working with several government agencies and companies from across North America to supply quotes and system designs on a number of potential projects and installations. EWI believes that many of these opportunities will develop into future orders for our FS and MD systems.

EWI is presently working on obtaining financing to build a local TR tire facility that would be self-sustaining, and that subsequently could be used as a showpiece for other interested parties. EWI is hopeful that work on the processing line will begin in 2005.

The long-term success of EWI depends upon its ability to deliver its systems and know-how, in the form of practically proven, and complete solutions.

The Company has incurred significant operating losses since inception. It has a working capital deficit that impedes its manner of operations and the working capital is not adequate to support current operating levels and growth objectives for the next twelve months. The Company's ability to achieve its goal of sustained profitability remains contingent upon its continued progress on a number of fronts which includes obtaining additional financing either through sales or equity, and achieving profitable levels of operations.

Date of MD&A

The information contained herein is current as at the date of filing of the December 31, 2004 financial statements with Auditor's Report attached dated April 15, 2005, and is completed as of that date.

Selected Financial Information

Summary of Quarterly Balance Sheets (Unaudited)

	2004				2003			
($ 000's)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Current Assets	168	234	333	987	825	262	442	272
Current Liabilities	2,835	2,345	2,418	806	2,501	2,620	2,883	2,352
Shareholders' Equity	(1,751)	(1,219)	(1,214)	912	(726)	(1,372)	(1,451)	(1,141)

Selected Financial Information *(continued)*

Summary of Quarterly Statements of Income (Loss) (Unaudited)

($ 000's except per share amounts)	2004 Qtr 1	2004 Qtr 2	2004 Qtr 3	2004 Qtr 4	2003 Qtr 1	2003 Qtr 2	2003 Qtr 3	2003 Qtr 4
Revenue	94	78	330	1,424	0	138	400	227
Total Expenses incl. Stock Based Comp & Amort.	704	813	415	(407)	889	812	824	93
Stock Based Compensation	0	400	62	37	210	14	208	71
Amortization	23	23	29	21	24	24	24	27
Net Income (Loss)	(609)	(735)	(85)	1,831	(889)	(673)	(424)	134
Weighted Ave.# of Shares	58,645	59,970	61,045	61,208	57,435	57,688	57,993	58,450
Income (Loss) per share	(.0104)	(.0123)	(.0014)	.0299	(.0155)	(.0117)	(.0073)	(.0023)

Summary of Quarterly Statements of Cash Flow (Unaudited)

($ 000's)	2004 Qtr 1	2004 Qtr 2	2004 Qtr 3	2004 Qtr 4	2003 Qtr 1	2003 Qtr 2	2003 Qtr 3	2003 Qtr 4
Operations	(113)	(351)	(346)	(380)	10	(454)	(418)	77
Investing Activities	0	0	(8)	3	0	(60)	(28)	50
Financing Activities	(3)	409	457	355	27	51	232	52
Cash at Beginning	227	111	169	272	689	725	262	48
Cash at End	111	169	272	250	725	262	48	227

Comparison of Fiscal Years ended December 31

($ 000's)	2004	2003	2002	2001
Total Assets	2,567	1,929	2,637	6,508
Total Liabilities	1,656	3,070	2,767	2,623
Shareholders' Equity	911	(1,141)	(130)	4,903
Shares Issued	62,720	58,645	57,210	
Total Revenues	1,927	765	0	196
Total Expenses incl. Stock Based Comp & Amort	1,525	2618	2,954	3,325
Stock Based Compensation	499	504	*0	*0
Write downs	0	0	2735	95
Net Income (Loss)	402	(1,853)	(5,689)	(3,225)
Net Income (Loss) per Share	$0.0067	($0.0320)	($0.1040)	($0.060)

*The Company changed its policy in 2003 to commence recording stock based compensation.

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Revenue

Revenues are generally derived from sales of systems. Each individual sale can be of significant value. As a result of each sale having a long lead-time before the sale is consummated, and then a long period of planning, engineering, manufacture, shipping, installation and commissioning, revenues from operations can fluctuate dramatically.

In the current year, revenues reported consisted of additional percentage of completion billings on the FS Series to the USDA and the recognition of existing deposits as income since all criteria were met on each project, the deposits were not refundable, and the projects are not expected to proceed further. In 2003, revenues reported consisted of additional percentage of completion billings on the FS Series to the USDA and the recognizing of the UK MD deposit as income as the project was not expected to proceed further.

The deposit received from a UK customer towards the purchase of a TR system in 2003 was recognized as revenue in 2004. EWI completed this phase of the work following which the purchaser failed to advance further funds as the contract specified for the further development, in spite of leeway granted by EWI. EWI has now recognized this project as revenue. Although EWI has no further commitment to the purchasers, they have expressed interest in proceeding to the next stage, which is the manufacturing and processing of the system components. A deposit from the purchaser will be required before commencement of this work.

Revenue by quarter for the current and preceding year is set out in the accompanying charts.

Segmented Information - Revenue

($ 000's)	2004	2003
Geographical Revenue		
USA	455	630
Europe	1,150	124
Asia	272	0

The geographic source of revenue is not a determinable factor in determining future profitability of the Company. As previously mentioned, sale negotiations are ongoing in many parts of the world. The intent of the Company is having its various products commissioned in various locations. Each individual sale, regardless of whether the TR, FS, or MD Series, is of sufficient financial magnitude in of itself, to bear a significant positive effect on the Company.

It is the Company's expectation that the success established with the USDA installation of the FS Series, is the greatest single current factor in determining the possibility of future sales.

% of Sales and deposits realized	2004	2003
Product Line		
TR Series	76 %	16 %
FS Series	9 %	84 %
MD Series	15 %	0 %

Manufacturing Expenses and Cost of Sales

The policy of EWI is to expense all expenditures as incurred, unless such expenditures can be directly related to a specific future billing for those expenditures.

Because of the prototype nature of the USDA project, no cost of sales calculation is appropriate. The sale and installation of the FS Series System occurred over several reporting periods, and also involved factors having to do with the provision of unique facilities by the purchaser, as well as the creating of the FS Series of products for the Company to add to its existing line. The importance of the project to the success of the Company was of greater relevance than the objective of earning a profit on this first installation.

Salaries and Consulting

Due to the lack of current sustainable revenue achieved by the Company, employee head counts and associated overhead have been reduced and are being controlled tightly. Certain of these employee costs, where appropriate, are included in research and development costs.

Scientific Research and Development

In the fiscal years 2002 and 2003, EWI incurred substantial scientific research and development costs, and in 2004 applied for a Scientific Research and Development refund from the Canadian Tax authorities based upon those eligible expenditures. Subsequent to the year-end, a net refund of $632,819 was received. Provision for this refund was made in the 4th quarter of 2004 when it was determined that this refund was a virtual certainty.

In 2004, the status of the Company under Canadian Income Tax law changed to that of a public company, and therefore similar claims for expenditures made in 2004 and subsequent will only be eligible for Provincial refunds which amount to approximately 10% of claims, with federal credits against income taxes payable, if any.

Currency of Expenses

The majority of goods and services obtained by the Company, save immaterial amounts and expenses incurred on site during installation and commissioning, are incurred in Canada and with CAN $.

Management has attempted to maintain a tight control on expenses, which will remain in place until revenue increases to a level that justifies increases in overhead.

Stock Based Compensation

The Company determined that as part of its restatement of its 2003 financial statements, and continuing forward thereafter, that it would adopt the fair value method of accounting for employee stock options.

This method calculates a value to each option granted by using a complex formula (the Black Scholes option pricing model) intended to establish a fair value to each option, which is the value of the option over and above the option exercise price.

The details used in the calculation are set out in note 2 to the annual financial statements, and the effects are detailed by year and by quarter in the charts contained herein.

Stock Based Compensation *(continued)*

This type of option gives the holder the right, for a specified period, to obtain from the Company upon the payment of the exercise price, a fully paid share of the common stock of the Company, regardless of the market price of that share at the time of the payment of the exercise price.

Calculation Factors

Although this formula is generally recognized as a reasonably fair method of calculating stock based compensation, it is based upon certain universal factors, which can cause difficulties in understanding the result. For example, the length of the term of options granted (*the amount of time the option is valid in the future*) will cause the calculation to take in to account an identical length of time in the past to try and judge the volatility in the price of EWI's publicly traded stock, and this has a dramatic effect on the valuation determined.

Obviously, the actual events of the past cannot be relied upon to be an accurate gauge of an identical period in the future, but is used as the only reasonable method in the absence of a more suitable method.

Another factor is that the expense calculated by the formula is recorded as an expense of the Company on the day that the option vests, even though options would almost never normally be exercised on or around that day. In the case of EWI, that means the day that the option is granted, the total calculated amount is recognized in full as an expense, even though the person has that option for possibly years to come, and even though on the day of the grant, the exercise price is at, or in most cases substantially greater than, the trading price of the stock.

It is the value of holding this right to buy a share over a period in the future, because that share may escalate in value, which is the value established by this valuation method.

Components of the valuation include the value of the interest for the period the option is held without the need to put up cash or "risk free period", the theory that the option right has value whether or not exercised, and an assumption that the grantor would not issue worthless paper. This method assigns no value for the benefit to the company of having granted options to key employees, directors and consultants that are intended to induce the holder to strive to create added value for the Company.

Company Policy

The Company has never granted options with an exercise price below current market value, and in many cases, options granted have exercise prices that substantially exceed market value at the time of grant. Therefore at the time the option is vested, an option holder would not normally exercise his option, as the price of obtaining a share of EWI in this manner, would be more expensive than simply buying a share through the stock market.

The Company is following this generally accepted method of valuation, even though the Company believes that it distorts the reported results of actual operations of the Company.

Stock Based Compensation *(continued)*

Recognition of an Expense That May Not Occur

As part of the disclosure rules, once an option is valued in this way, it remains a permanent entry in the records.

If at any time in the future, an option expires for any reason, even though it becomes valueless at that time, no adjustment is ever made to the original recording of the stock based compensation. In trying to comprehend the effect on the Company of the calculation of stock based compensation, it is important to note that many options granted are never exercised, thereby rendering them valueless, regardless of the original amount recorded as an expense at the time of vesting.

In summary:

- The length of the term of options granted (*the amount of time the option is valid in the future*) will cause the calculation to take in to account an identical length of time in the past to try and judge the volatility in the price of EWI's publicly traded stock
- An option vested is recorded as an expense of the Company on the day that the option vests, even though options would almost never be exercised on or around that day
- Many options granted are never exercised, thereby rendering them valueless, regardless of the original amount recorded as an expense at the time of vesting
- The Company has never granted options with an exercise price below current market value, and in many cases, options granted have exercise prices that substantially exceed market value at the time of grant.

Depreciation and Amortization

The Company records amortization on its building on a 5% per annum diminishing balance basis. .

The value of technology rights were written down to $500,000 in fiscal 2002, which value is being amortized at $50,000 per annum based on an estimated life of 10 years on a straight line basis. Each year, this asset is reviewed for any impairment of value, failing which the value remains recorded at $500,000 less amortization provided for from 2002 until the current year. In the event that impairment is judged to have occurred, the value of this asset will be written down to the new determined value.

Income Taxes

The Company has substantial losses carried forward for income tax purposes that may be utilized to offset taxable income of the Company that would otherwise be subject to income taxes in future years. These losses have been reduced in the current year by the inclusion of the scientific research and development amounts received that were recorded as revenue in 2004, and the operating income of the Company. Approximately $5 million of these losses were incurred by the Company's subsidiaries. Approximately $2,500,000 of these losses will expire at the end of the 2005 fiscal year, if not absorbed by otherwise taxable income (if achieved) in 2005. It is not determinable at this time, whether the Company will be able to generate sufficient income in 2005 to utilize these losses.

Interest on Debt

Interest on debt remains comparable year to year, and is described in greater detail under the heading 'Liquidity and Capital Resources', and in the annual financial statements.

The mortgage on the Company's real estate was renewed in late 2004 and bears interest at an annual rate and amount payable as set out in the financial statements. Further interest expense is generated by loans obtained by the Company that are necessary to sustain the Company until the Company achieves a positive cash flow.

Net Income (Loss)

As can be seen from the accompanying charts, EWI achieved a profitable year in 2004 as compared to substantial losses in recent years. No income tax on this income is provided for, as the Company's losses carried forward offset this income for income tax purposes.

Although the Company is pleased to report a profitable year, the greatest amount of the revenue is derived essentially from a refund from Canadian Governments for scientific research and development expenditures, and forfeiture of deposits from prospective customers. EWI is hopeful that in future years, its achievements will lead to the development of sustainable revenue from its product lines, and net income derived therefrom.

Customer Reliance

Revenue in 2004 was primarily from a small number of customers, and in the largest part from TR Series sales or conversion of deposits received in previous fiscal years into revenue. The Company believes that it is not reliance for its continuing operation on any of these customers, aside from the credibility of its relationship with the USDA, and the continued operation of the USDA FS Series installation.

In the event that the USDA facility ceases operation, or ceases the operation of the EWI installation therein, it could have a significant negative effect on the Company and the Company's efforts to have its FS Series gain market share.

Liquidity and Capital Reserves

EWI in the current and comparative years suffers from a lack of working capital and reserves.

($ 000's)	2004	2003	2002
Working Capital (Deficiency)	181	(2,080)	(1,104)
Current Mortgage Debt	850	725	752
Customer Deposits	0	1,429	937

In 2004, working capital improved dramatically, primarily from the taking into income of deposits previously recorded. However, this provided no additional current cash as these deposits had been received in previous years.

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Another source was the $632,819 of Government assistance recorded in 2004 and received subsequent to the year-end. Due to a change in the Company's status under the Canadian Income Tax, similar assistances available are substantially reduced in the future.

The primary sources of cash in 2004, were the exercising of options for the Company's common stock resulting in cash of $88,000, private placements of Company common stock resulting in cash of $608,000, and debt conversion of existing debt into Company common stock resulting in $455,000 of debt eliminated. These transactions created additional cash and working capital for the Company in 2004 of $1,151,000. The comparative figure for 2003 was $337,600.

Additional capital was realized by increasing the amount of the mortgage on the Company's real estate from $725,000 to $850,000.

Until the Company is able to generate working capital from profitable operations, raising capital in this manner is important to the Company's continued operations.

In 2004 and previous recent years, inadequacies of working capital have been funded by loans from directors and parties related to directors, although smaller loans from other parties have also been obtained. These loans are detailed in the financial statements in each year. All of these loans have been at commercial rates, and generally contained conversion privileges to convert the debt to common shares in the equity of EWI at a conversion price that was greater than the fair market value at the time the loan was arranged or advanced. As can be seen from the financial statements, many of these conversion privileges were exercised.

Working Capital Shortages

The Company believes that working capital shortages will be met in the short term by:

- New sales orders currently under negotiation as a result of the success of the USDA installation,
- Exercising of existing share options by the holders
- If necessary, further private placements.

There is no guaranty or assurance that the necessary working capital will be realized in this manner.

Related Party Transactions

Loans from related parties bore interest as follows:

($ 000's)	2004	2003
Interest Paid on Loans to Related Parties	42	65

Loans from related parties and conversion privileges attached thereto are reviewed and approved by the directors of the Company and by the Audit Committee. The Board of Directors is comprised of a majority of independent directors, and the Audit Committee is comprised of all independent directors.

Contractual Obligations

Other than the mortgage debt and the loans payable, the Company has no contractual obligations other than in the normal course of business. The Company is committed to certain options and warrants on its common stock in the normal course of business and as set out in the 2004 financial statements in detail.

Subsequent Events

Subsequent to the year-end, the Company received the Government assistance as recorded in the 2004 annual financial statements.

The USDA project was fully commissioned.

Currency & Exchange Rate Uncertainty Risk

EWI conducts operations and enters in agreements throughout the world. In addition, there is potentially an extended period between the time a contract is entered into and the time that payments under that contract are receivable or payable. There could therefore arise periods in which currency fluctuations could have unintended effects or consequences.

Most international contracts are related to the US $, and since there has recently been a volatile fluctuation in that exchange rate, there is a potential for uncertainty because of this fluctuation. However most EWI expenditures are in Canada and are made in CAN $ and as such, the Company does not perceive material risk. However, worldwide sales contracts are potentially exposed to these uncertainties. The Company believes that all current sales obligations are subject to adjustment clauses that should save the Company relatively harmless. In addition, the Company is making changes to future contracts to protect itself from these potentially harmful fluctuations.

Funds received in US $ have historically been converted to CAN $ at a fixed exchange rate at the time of receipt which represents an average exchange rate over the previous period, and any variance from this exchange rate at the time of application of the deposit, has been charged to foreign exchange. Dependant upon the continued fluctuation of the US $, this policy may have to be reviewed.

The effect of all currency fluctuations is recognized in the financial statements of the Company as a current operating revenue or expense.

Risks and Uncertainties

The future of the Company is very dependant upon many factors, in particular the successful completion of new sales orders primarily from North America resulting from the Company's penetration of the market resulting from its commissioning of the USDA project, and the furtherance of the UK project resulting from the initial research and development paid for by UK potential customers who have indicated a desire to proceed to the next stage of development.

Failure to achieve further sales and projects could imperil the continued operation of the Company. In the absence of further sales, the Company will not have sufficient cash reserves and will be forced to seek additional equity or debt subscriptions, thereby either diluting the shareholders, or incurring further interest obligations.

Risks and Uncertainties *(continued)*

Although the Company considers its products and systems environmentally friendly, generally their installation requires substantial and detailed regulatory inspection and approval. There is no assurance that such requirements will not substantially delay the installations or sales, or prevent the installation and sales in certain jurisdictions and circumstances.

The Company believes its systems to be safe and adequately tested. There however can be no assurance that some mechanical or system failure will not be harmful in certain circumstances.

The Company strives to obtain adequate insurance coverage in locations in which work is being performed. However, given the complexity of regulations in the many jurisdictions, and the limited resources of the Company, no assurance can be given that the Company and its employees are adequately protected.

The Company success depends in part, upon its proprietary technology. While the Company believes that it has adequately protected its rights, patents, and trade secrets, there can be no assurance that these assets, rights and secrets will not be challenged, or that competitive technologies will not arise, which may affect the Company.

Due to the size and complexity of each individual sale, any negative effect on the part of any customer, can have a dramatic effect on the Company and its future sales efforts. In particular, the Company believes that the nature of its continuing relationship with the USDA is essential to its immediate possibility of sales.

Other factors that could affect the Company's actual results, include, but are not limited to, (i) management's inability to manage the cash flow needs or Company's expenditures, including the failure to anticipate any significant capital expenditures that the Company may be required to make; (ii) the inability to sell the Company's products or to properly price the units to maintain the Company's capital requirements; (iii) changes in exchange rates or material costs that could affect the profitability of the sales of the Company's systems; (iv) the potential need to liquidate capital investments at or below the Company's acquisition cost in order to fund operating expenses; (v) the inability to secure future financing which could result in the inability of the Company to build and deliver an order for one of the Company's systems, and (vii) the inability to raise additional capital if required to cover the day to day operating expenses of the corporation.

While EWI has achieved notable advancements in 2004 and subsequent, there is no assurance that this will result in continued advancements, or in profitability.

Fourth Quarter Analysis

The operating results of the 4th quarter of 2004 and the 2003 comparatives are contained within the quarterly charts included above.

The results of the 4th quarter of 2004 cannot be considered as being normal operations of the Company as certain items as detailed herein have been recorded only in that quarter as a result of normal accounting policies applied on a consistent basis. For example, the recognition of deposits as revenue only occurs in accordance with the specific terms of individual contracts regardless of when the original deposits are received. The recognition of Government assistance with regard to scientific research and development claims only is recorded when there is virtual certainty of their receipt, although these claims may have been made in other periods. The recognition of stock compensation expense occurs at the date of vesting of options, which for EWI is generally the date of grant.

Revenue

Revenues in the 4th quarter of 2004 were unusually high as they included $1,424,000 of deposits on various contracts as detailed elsewhere in this MD&A, which became income of EWI as a result of contracts and contract extensions expiring, with no further obligation on the part of the Company.

Revenue in the 4th quarter of 2003 included USDA percentage completion billings.

Manufacturing Expenses

Normal reporting of expenses in the 4th quarter of 2004 was affected by the inclusion in that period of the scientific research and development revenue of $632,819, which caused the expenses for the 4th quarter to be reported as a negative expense (a revenue).

Expenses excluding this unusual amount were consistent with the other quarters.

Stock Based Compensation

Stock based compensation in the 4th quarter of 2004 was $37,000, and in the 2003 comparative period was $71,000.

Net Income (Loss)

As can be seen from the accompanying charts, EWI achieved an unusual net income of $1,831,000 in the 2004 4th quarter. This occurred because of the recognition in this quarter of deposits as revenue and the recognition of the Government assistance because of virtual certainty.

In 2003, a net income of $134,000 was realized. The largest component of this period's operation was the recognition of revenue from USDA billings.

It is important to recognize that in spite of net income recognized in each of these 4th quarters, the net income for the year ended December 31, 2004 was only $402,000 and for the year ended December 31, 2003 was a loss of ($1,853,000).