

Management Discussion of the Audited Financials for Years 2004 – 2006 and the
1st Quarter Results (Unaudited) for 2007.

2007 is proving to be to a solid building year for us at Eternal Image. We have reached several significant milestones including receiving first production runs of actual product, booking sales, completion of our audit, and preparing the 10SB in order to uplist the company to the OTC:BB.

Even though we have completed these significant tasks, we have no plans to rest on these accomplishments. We are pushing very hard to take our business to the next level which means completing the uplisting process, expanding our brand portfolio, expanding our distribution base (including internationally), adding staff, and focusing on product sales.

One of the most significant accomplishments thus far was the completion of the audit. This was a very long and involved process in which we learned a tremendous amount. As you will notice 2004, 2005 and 2006 were significant investment years for EI. As one could well imagine, 'bootstrapping' a manufacturing business in an industry that has never attempted anything like this is no small undertaking. It takes time and significant investment in consulting, branding, and production support.

Considerable time and money was invested in building a solid business infrastructure, and we turned a corner in early 2007 when we started taking orders for our product for the first time. For the first quarter of 2007, EI reports a gross profit of \$57,816 with an operating loss of \$535,956. From inception to December 31st, 2006 EI reports a net loss of \$5,150,801 which are costs associated with start up operations.

Based on the current backlog of \$120,000, strong demand for current products, new products coming out of production mid-third quarter, we project strong sales for the remainder of 2007 which will lead to an even stronger 2008.

Respectfully,

Clint Mytych
CEO

James Parliament
CFO