Ginger Beef Corporation
A Public Company

Management's Discussion and Analysis
For the Year ended December 31, 2004

The Corporation

Ginger Beef Corporation (the "Corporation") and its wholly-owned subsidiaries, are engaged in food processing and packaging, as well as the franchising of food service operations. Its subsidiary, Ginger Beef Choice Ltd. ("Choice"), is certified and licensed to produce frozen and ready-to-serve deli Chinese food products, while Ginger Beef Express Ltd. ("Express") oversees a number of franchised takeout/delivery service restaurants in Alberta. The Corporation's certification by the Canadian Food Inspection Agency allows its products to be shipped from its base in Calgary, Alberta, to all provinces in Canada.

The Corporation's business has evolved from its core product, an original Calgary-style ginger beef recipe developed by the President and CEO, Stanley Leung, to a variety of pre-packaged, frozen and deli-style offerings which adapt traditional Chinese dishes to the Western appetite for Asian fusion-type fare.

Corporate Strategy

Acceptance of the Corporation's original product indicated the potential for a wider market base, and encouraged the development of expanded food lines and additional delivery modes to include frozen as well as fresh products. To accomplish this, the Corporation purchased a larger plant and modernized it to handle higher production volumes and to meet federal standards in the winter of 2002-03. Its core operating goals are:

(a) to capture all major food retailers in Western Canada,
(b) to expand into Eastern Canadian markets,
(c) to secure an additional customer base in the restaurant/food service sectors,
(d) to increase its franchising division,
(e) to introduce an enhanced line of boxed, frozen ready-to eat products, aimed at the up-scale consumer market,
(f) to be responsive, on short notice, to changes in consumer tastes and dietary trends, and
(g) to improve brand recognition through the redesign of its packaging and the redirection of its advertising targets.

Performance Milestones - Operations

Following the plant modernization, the Corporation focused on increasing its sales and production capacity. The year 2003 was one of product rationalization, establishment of procedural controls, aggressive marketing, and the introduction of additional products. Through 2004 and early 2005, the results of these efforts were evident in Corporation's successful product placement with the following:

(a) March, 2004 – an Ontario grocery chain with 180 locations,
(b) April, 2004 – a large 100-branch food outlet with the ability to market bulk supplies to create ready meals,
(c) June, 2004 – a major grocery reseller with 45 BC locations,
(d) April, 2004 –165 Alberta outlets of one of the largest convenience store retailers, which has almost 5,000 locations in North America,
(e) July, 2004 – a large family restaurant chain with 18 locations in Canada and over 200 in the US,
(f) September, 2004 – a 182-outlet retailer with locations in northern Canada and Alaska,
(g) October, 2004 – 219 Western Canada locations of one of the largest grocery chains in North America,
(h) February, 2005 – the Canadian division of one of the largest food and drug retailers in North America, with 210 locations which hold 25% of the grocery market in Western Canada, and
(i) February, 2005 – the Eastern Canada division of a large retail grocery chain which holds a 40% market share of the Canadian grocery industry.

At the same time, the Corporation is continuing to pursue avenues to market certain frozen food offerings under private label and national branding with its wholesale customers, and has expanded its retail product line to include several items with augmented vegetable content to suit varying dietary tastes.

Packaging redesign is underway and will include nutritional labeling according to the most recent federal guidelines.

Performance Milestones - Financial

	2004	change	2003	change	2002
Revenues	$ 5,375,551	40.4%	$ 3,827,673	311.4%	$ 930,498
COG	4,290,128	40.9%	3,044,281	246.3%	861,913
Gross Profit	$ 1,085,423	38.6%	$ 783,392	1129.2%	$ 68,585
GP Margin	20.19%		20.47%		7.37%

Wholesale Revenues

The Corporation's core revenues have increased since the completion of the plant modernization in 2002, reflecting the increase in its customer base and the expansion of its product lines. The infusion of capital from the private placement of shares in that year, concurrent with the reverse takeover of Express and its wholly-owned subsidiary, Choice, enabled the Corporation to commence volume production and initiate its marketing campaigns. At the same time, the Corporation was compelled to formulate its operating procedures and controls rapidly to keep pace with the growth in sales volumes. The 40.4% increase in revenues from 2003 to 2004 is considered by management to be a conservative performance target for the upcoming year, as most of the Corporation's newly-acquired customer contracts will be in effect for the full year in 2005.

Cost of Goods

The 40.9% increase in the cost and processing of foodstuffs kept pace with the increase in revenues. Cost controls at the Corporation's plant have been instituted, and the Corporation applied for and received an allocation of the 2003 chicken tariff rate quota. Under this quota, the Corporation was able either to make use of its allocated quota to import chicken at a lower cost, when available, or to sell unused portions of the quota to third parties when the Corporation's requirement for chicken was low. This 2003 allocation was obtained in September, 2004, and it is anticipated that its next quota for the full year in 2004 will contribute to a lowering of overall cost of goods in 2005.

Gross Profit Margin

The Corporation recorded an operating profit of $1.08 million in 2004, achieving a gross profit margin of approximately 20.19%, remaining level with that of 2003. The results over the last two years represent a healthy increase over the results of the operation prior to the Corporation's reverse takeover and concurrent financing. Through management's efforts in assimilating the Corporation's rapid growth and maintaining controls over the costs of production this margin is expected to be sustained or improved in 2005.

Franchise and Other Revenues

Currently the Corporation franchises Chinese food restaurants primarily in the Calgary area. This division represents a minimal part of its operations; however, a stated objective of the Corporation is to expand its efforts in placing additional franchises in Western Canada in the coming years.

	2004	change	2003	change	2002
Franchise revenues	$ 37,273	6.6%	$ 34,978	-18.5%	$ 42,938
Other revenues	$ 92,070	237.8%	$ 27,256	-5.2%	$ 28,747

Other revenues consist of sales of unused import chicken quotas and government grants. These items are not expected to recur in 2005, as the Corporation's use of the chicken import quota for white meat is being substantially reduced in favour of dark meat, and the government grant was a one-time contribution towards the development and marketing of a new frozen entrée product.

Expenses

	2004	change	2003	change	2002
General & administrative	$ 612,147	11.1%	$ 550,782	56.9%	$ 351,028
Marketing and promotion	34,523	-40.4%	57,900	186.5%	20,206
Total	646,670	6.2%	608,782	64.0%	371,234
Interest expenses	117,287	8.0%	108,615	102.4%	53,653
Amortization	209,534	-2.9%	215,853	73.0%	124,805
Total	326,821	0.7%	324,468	81.8%	178,458
Total expenses	$ 973,491	4.3%	$ 933,150	69.8%	$ 549,692

To accommodate the quadruple sales increase from 2002 to 2003, the Corporation's administrative infrastructure and its marketing and promotion efforts were escalated, together growing by 64.0%. By fiscal 2004, the Corporation was successful in suppressing the increase in these costs to 6.2%, reflecting the curtailment of the substantial sales and marketing outlays which had been necessary in the first year of its expanded operations, while strong controls on overhead expenses kept administrative cost increases to 11.1%.

Similarly, the increase in interest expenses and amortization subsided in 2004 after their initial impact in 2003 over 2002, during which latter period the Corporation's debt servicing requirement doubled and amortization of the expanded fixed asset base had increased by 73.0%.

Net Profit Margin

	2004	2003	2002
Net Pre-Tax Profit (Loss)	$ 241,275	$ (87,524)	$ (409,424)
Net Pre-Tax Profit Margin	4.5%	-2.3%	-44.0%

As a consequence of the Corporation's revenue growth and aggressive cost control measures, positive net income was recorded in 2004. The net profit margin, at 4.5%, is in the upper range of average margins in the food processing and delivery industry. Management's objective is to continue its diligent pursuit of efficient modes of operation, economic yet appealing packaging components, and favourable supply contracts in order to ensure that optimal operating and bottom-line margins are maintained in the future.

Income Tax Provision

Included in income in 2004 is a future tax benefit of $227,000, representing the recognition of tax losses carried forward from prior years. These losses are likely to be used in 2005 and subsequent years to reduce taxable income. This amount is not included in the profit margin calculations above, or in the coverage ratios below.

Financing Activity

During 2005, the Corporation recapitalized its debt structure by relieving its dependence on its bank line of credit and obtained additional financing of $400,000 through a second loan with Agricultural Financial Services Corporation. The loan bears interest at 5% and augments the 7.5% loan of $937,649 obtained with the same entity in 2002. The Corporation also received $52,100 via the exercise of share options during the year. Along with internally generated cash flow, the Corporation is of the opinion that its ability to service its existing debt will be adequate as its operations normalize and begin to fully reflect its expanded customer base. Working capital, debt/equity and coverage ratios were as follows:

	2004
Current assets	$ 879,999
Current liabilities	$ 845,116
Working capital ratio	1.04 : 1
Total long term debt and capital lease obligations	$ 1,269,279
Shareholders' equity	$ 1,036,357
Debt/equity ratio	1.22 : 1
Net income before other revenues	$ 149,205
Interest expense on debt and capital lease obligations	$ 117,287
Interest coverage	1.3 x

Risk factors

The Corporation is subject to normal trade credit risks related to the extension of credit and collectibility of receivables. Customers are monitored with reference to their creditworthiness, payment histories and volume of product ordered, particularly as approximately 73% of the Corporation's deliveries in 2004 (2003 – 81%) were concentrated among its three largest customers. The Corporation's plans to expand both their product lines and their range of markets are intended to ameliorate this dependence on three key customers.

Outlook

Ginger Beef Corporation is looking forward to continued expansion in the coming years. Its existing plant capacity is expected to handle approximately 2-1/2 to 3 times current volumes, but it is recognized that beyond the next 3-4 years, the Calgary base may require additional plant and freezer capacity and delivery facilities. The Corporation is sensitive to these future requirements and is developing a concrete plan for reasoned expansion.

Forward-looking statements

Certain information presented is of a forward-looking nature. Such forward-looking information involves substantial known and unknown risks and uncertainties. Most of these are beyond the Corporation's control and include: the impact of general economic conditions, changes in industry conditions, the availability of qualified personnel, stock market volatility, and access to capital from internal and external sources. The reader is cautioned that assumptions used in the preparation of such information, while considered reasonable by the Corporation at the time, may prove to be inaccurate. The Corporation's actual results could differ materially from those expressed in, or implied by, such forward-looking information.