

**ENVIRONMENTAL WASTE INTERNATIONAL INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007**

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Unaudited Interim Financial Statements
For The Six Month Period Ended June 30, 2007

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Unaudited Interim Financial Statements
For The Six Month Period Ended June 30, 2007

Responsibility for consolidated unaudited interim financial statements

The accompanying financial statements for Environmental Waste International Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2006 audited financial statements.

Auditor involvement

The auditor of Environmental Waste International Inc. has not performed a review of these unaudited interim financial statements.

Ajax, Ontario
August 28, 2007

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Balance Sheet
As At June 30, 2007 and December 31, 2006

	As at June 30 2007 (Unaudited)	As at December 31 2006 (Audited)
ASSETS		
CURRENT		
Cash	\$ 181,218	\$ 420,430
Accounts receivable	20,063	6,110
Prepaid expenses	17,379	49,437
	218,660	475,977
CAPITAL ASSETS (Note 4)	2,778	3,973
TECHNOLOGY RIGHTS (Note 5)	275,000	300,000
	\$ 496,438	\$ 779,950
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	\$ 184,521	\$ 237,695
Loans payable (Note 8)	\$ 367,000	\$ 367,000
Deferred income - current (Note 6)	\$ 43,307	\$ 43,307
Deferred revenue - current (Note 7)	-	66,731
	594,828	714,733
LONG TERM		
Deferred income (Note 6)	\$ 150,268	\$ 171,922
	745,096	886,655
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	35,957,624	35,657,624
Contributed surplus (Note 9)	1,624,040	1,540,040
Convertible debt (Note 8)	163,000	163,000
Deficit	(37,993,322)	(37,467,369)
	(248,658)	(106,705)
	\$ 496,438	\$ 779,950

ON BEHALF OF THE BOARD

_____, Director
 "William Bateman"

_____, Director
 "Stephen Simms"

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Operations
For The Three & Six Month Periods Ended June 30, 2007 and 2006

	Three months ended June 30		Six months ended June 30	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
REVENUE				
Sales	\$ 142,188	\$ 9,892	\$ 147,982	\$ 27,938
Other	10,827	12	22,545	34
	<u>153,015</u>	<u>9,904</u>	<u>170,527</u>	<u>27,972</u>
EXPENSES				
Manufacturing expenses	70,437	50	71,581	365
Research & development	101,856	152,613	209,457	307,828
Salaries, wages & benefits	25,686	37,475	56,109	75,181
Stock compensation expense	84,000	229,055	84,000	229,055
Operations, general and administration	114,988	109,460	209,307	211,427
Foreign exchange	6,748	5,300	8,031	(3,818)
Interest on long term debt	-	49,495	-	99,886
Interest on short term debt	15,900	-	31,800	-
Amortization of property, equip. & technology rights	13,397	22,771	26,195	45,542
	<u>433,012</u>	<u>606,219</u>	<u>696,480</u>	<u>965,466</u>
NET INCOME (LOSS)	<u>\$ (279,997)</u>	<u>\$ (596,315)</u>	<u>\$ (525,953)</u>	<u>\$ (937,494)</u>
Income (loss) per share	<u>\$ (0.004)</u>	<u>\$ (0.009)</u>	<u>\$ (0.008)</u>	<u>\$ (0.014)</u>
Weighted average number of common shares outstanding	69,538,735	65,720,316	69,538,735	65,720,316

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Deficit
For The Six Month Period Ended June 30, 2007 and 2006

	Six months ended	
	June 30 2007	June 30 2006
	(Unaudited)	(Unaudited)
DEFICIT - BEGINNING OF PERIOD	\$ (37,467,369)	\$ (36,597,650)
Net income (Loss) for the period	(525,953)	(937,494)
DEFICIT - END OF PERIOD	<u>\$ (37,993,322)</u>	<u>\$ (37,535,144)</u>

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Cash Flows
For The Three & Six Month Periods Ended June 30, 2007 and 2006

	Three months ended		Six months ended	
	June 30		June 30	
	2007	2006	2007	2006
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES				
Net (loss)	\$ (279,997)	\$ (596,315)	\$ (525,953)	\$ (937,494)
Items not involving cash:				
Amortization of property, plant and equipment & technology rights	13,397	22,771	26,195	45,542
Stock based compensation expense	84,000	229,055	84,000	229,055
Amortization of deferred charges	-	1,458	-	2,916
	(182,600)	(343,031)	(415,758)	(659,981)
Changes in non-cash working capital:				
Accounts receivable	(13,433)	5,040	(13,953)	4,951
Accounts payable & accrued	(80,110)	6,861	(53,174)	(25,643)
Prepaid expenses	9,581	11,978	32,058	23,958
Inventory	59,236	-	-	-
Deferred revenue	(77,558)	-	(88,385)	-
Government assistance	-	-	-	67,123
	(102,284)	23,879	(123,454)	70,389
Cash flow used by operating activities	(284,884)	(319,152)	(539,212)	(589,592)
INVESTING ACTIVITIES				
Increase (decrease) in capital items	-	-	-	-
FINANCING ACTIVITIES				
Proceed from:				
short term financing	-	25,677	-	(22,639)
Issuance of shares	300,000	-	300,000	480,000
Provided by financing activities	300,000	25,677	300,000	457,361
CASH INCREASE (DECREASE)	15,116	(293,475)	(239,212)	(132,231)
CASH - BEGINNING OF PERIOD	166,102	393,334	420,430	232,090
CASH - END OF PERIOD	\$ 181,218	\$ 99,859	\$ 181,218	\$ 99,859

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

1 NATURE OF BUSINESS

Environmental Waste International Inc. ("EWI") is incorporated under the Ontario Business Corporations Act. The Company's business is the design, development and sale of environmentally sound devices utilizing EWI's patented Reverse Polymerization and dealing with environmental waste disposal, including the development, advancing, licensing and sale of its technology and related machines throughout the world.

2 GOING CONCERN

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Recurring sources of revenue have not yet proven to be sufficient. The Company needs to obtain additional financing to enable it to continue its business. In the absence of additional financing, the Company may not have sufficient funds to meet its obligations. Management continues to monitor the cash needs and consider various alternatives to raise additional financing. However, management is reasonably confident but can offer no guarantee that it will be able to secure the necessary financing to enable the Company to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. There is no assurance that this will be successful.

If the going-concern basis is not appropriate, material adjustments may be necessary in the carrying amounts and/or classification of assets and liabilities and the loss for the period reported in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant and equipment and technology rights. Actual results could differ from these estimates.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, EWMC Environmental Waste Management Corporation and Jaguar Carbon Sales Limited. All inter-company transactions and balances have been eliminated on consolidation. The activities of the subsidiaries are currently immaterial.

(c) Technology Rights

Technology represents the cost of acquired technology. The technology rights valuation is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In 2002, the Company incurred a charge of \$2,659,587 representing recognition of impairment. Commencing January 1, 2003, the remaining unamortized technology rights balance is being amortized equally over a 10-year period, the estimated useful life of these rights.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Revenue Recognition

For sales contracts involving production, customization and installation, revenues are recognized under the percentage-of-completion method using milestones or engineering approvals to determine the percentage complete. Provisions for estimated contract losses are recognized in the year the loss becomes probable and can be reasonably estimated. Service revenue such as maintenance and support is recognized when the services are performed. The timing of revenue recognition may differ from the contract payment schedules, resulting in revenues that have been earned but not billed.

Certain contracts require the customer to provide deposits. Deposits are deemed to be forfeited by the customer when certain contractual obligations are not met and are brought into revenue.

Any other billings or cash received in advance of sales are being recorded as deferred revenue. Other revenue is recognized at the time ownership transfers or services are rendered to the customer.

Provision for the potential warranty claims, if any, is provided for at the time revenue is recognized, based on warranty terms and claims experience as a deduction from revenue.

(e) Stock Based Compensation

The Company has a stock-based compensation plan. It maintains a stock-based compensation plan for employees, directors, officers and consultants of the Company. Effective January 1, 2003, the Company follows the fair-value method (using the Black-Scholes option pricing model) to record compensation expense with respect to stock options and warrants granted. The fair value of each option or warrant granted is estimated on the date of grant and provision for the cost is provided for as contributed surplus over the term of the vesting period of the respective options. The consideration received by the Company on the exercise of share options is recorded as an increase to the share capital together with corresponding amounts previously recognized in contributed surplus.

(f) Basic and Diluted Loss Per Share

Basic loss per share has been computed by dividing net earnings (loss) by the weighted average shares outstanding during the reporting period. Weighted average number of shares is determined by relating the portion of time within the period that common shares have been outstanding to the total time in the period. Diluted loss per share has been computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, warrants and compensation options, only if dilutive. The number of additional shares is calculated by assuming that outstanding dilutive securities were exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

Diluted per share amounts are calculated using the treasury stock method. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options, warrants and compensation options or dilutive instruments. In computing the loss per share on a fully diluted basis, the treasury stock method assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. The weighted average number of shares outstanding is then adjusted by the net change.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Government Assistance/Investment Tax Credits “ITCs”

Government assistance is available to the Company through income tax investment and innovation tax credits. ITCs and other governmental incentives relating to capital assets acquired for research and development, are deducted from the cost of the assets. ITCs and other incentives relating to current research and development expenditures are disclosed as government assistance on the statement of earnings. The Company recognizes ITCs and other incentives when earned, and when there is reasonable assurance of realization.

(h) Research and Development Costs.

Research costs are expensed as incurred. Development costs that meet the criteria for deferral under Canadian generally accepted accounting principles for products that are expected to provide future benefits, with reasonable certainty, are deferred and amortized over the anticipated periods of sales revenue of the products.

(i) Translation of Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars at the appropriate rates of exchange ruling at the balance sheet date, while other assets and liabilities are converted at the rates of exchange applicable at the dates acquired or incurred. Revenues and expenses are translated into Canadian dollars at rates of exchange applicable during the periods in which they were earned or expensed. All gains and losses are included in the consolidated statements of operations and deficit as they arise.

(j) Capital Assets

Capital assets are recorded at cost. Repairs and maintenance are charged against income as incurred. Expenditures which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Company's ability to provide services, its carrying amount is written down to residual value. Amortization is provided annually on capital assets, other than land, at rates designed to charge the cost of the assets over their estimated useful lives, as follows:

Computer equipment	30%	declining balance
Buildings	5%	declining balance
Equipment	30%	declining balance

One-half of annual depreciation and amortization is charged on net assets acquired during the fiscal year. Government assistance is recorded of the related assets.

(k) Impairment of Long-Lived Assets

Long-lived assets, including capital assets, are amortized over their useful lives. The Company reviews long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the discounted cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. At period end, no such impairment has occurred.

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Leases

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is amortized on the same basis as described above. Rental payments under operating leases are expensed as incurred.

(m) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, loans payable and long-term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks. The Company's long term debt is not publicly traded, therefore, quoted market prices are not available.

(n) Income Taxes

The Company uses the asset and liability method of accounting for income taxes, under which future tax assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates in effect in the year in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the year that includes the enactment date. A valuation allowance is recorded to the extent there is uncertainty regarding realization of future tax assets.

(o) Segmented Information

The Company has determined that it has one operating segment. During the period, all revenues from operations were derived from sources located in the United States and all identifiable assets were located in Canada.

(p) Concentration of Credit Risk

The Company derived net sales from 1 (Year ended December 31, 2006-1) major customer amounting to \$133,463 (Year ended December 31, 2006-\$42,541).

(q) Director/Officer Indemnification

Under its by-laws, the Company indemnifies its directors / officers, former directors / officers and individuals who have acted at the Company's request to be a director / officer of an entity in which the Company is a shareholder, to the extent permitted by law, against any and all charges, costs, expenses, amounts paid in settlement and damages incurred by the directors and officers as a result of any lawsuit, or any judicial, administrative or investigative proceeding in which the directors and officers are sued as a result of their service. Indemnification claims will be subject to any statutory or other legal limitation period. There are no indemnification claims known to the Company at this time. The Company has purchased directors' and officers' liability insurance. No amount has been accrued in these financial statements with respect to any indemnifications.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

4 CAPITAL ASSETS

	Cost	Accumulated Amortization	<u>June 30 2007</u> Net Book Value	December 31 2006 Net Book Value
<i>Computer Equipment</i>	\$ 11,583	\$ (8,805)	\$ 2,778	\$ 3,973

5 TECHNOLOGY RIGHTS

	<u>June 30, 2007</u>	December 31, 2006
2002 Value	\$ 500,000	\$ 500,000
Accumulated amortization	(225,000)	(200,000)
	<u>\$ 275,000</u>	<u>\$ 300,000</u>

6 DEFERRED INCOME

The amortization is calculated on a straight line basis over the initial lease term of the Company's premises, being 60 months.

	<u>June 30, 2007</u>	December 31, 2006
Opening Balance	\$ 215,229	\$ -
Balance deferred during the period	-	216,533
Amortization during the period	(21,654)	(1,304)
	193,575	215,229
Less: current portion	(43,307)	(43,307)
Long-term portion	<u>\$ 150,268</u>	<u>\$ 171,922</u>

7 DEFERRED REVENUE

Deferred revenue representing a customer deposit of \$66,731 has been recognized as income in the period as the unit was delivered to the customer during the period.

8 LOANS PAYABLE

All loans bear monthly interest at the rate of 12%. The interest is payable monthly. The loans consist of the following:

	<u>June 30, 2007</u>	December 31, 2006
(a) Loan from a relative of the president of the Company convertible for common shares at the rate of \$0.25 per share and matures on November 1, 2007	\$ 186,000	\$ 186,000
(b) Loan from relative of a director. The original maturity date was December 8, 2005. The maturity date has been extended to November 1, 2007	100,000	100,000

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

8 LOANS PAYABLE (continued)

(c) Loans from directors convertible to common shares at the rate of \$0.25 per share, maturing on November 12, 2007.	81,000	81,000
(d) Loan from a director and is due on demand.	-	48,100
Total long-term debt	367,000	415,100
Less: current portion	(367,000)	(48,100)
	<u>\$ -</u>	<u>\$ 367,000</u>

For accounting purposes, the convertible loans contain both a liability component and an equity component being the holder's conversion right, which have been separately presented on the consolidated balance sheets. The Company has allocated the \$430,000 face value of the convertible loans issued October 23, 2005, to the liability and equity components, proportionately, based on their respective fair values. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 20% for a debt instrument of comparable maturity and credit quality but excluding any conversion privilege by the holder. The fair value of the convertible right was measured using the Black-Scholes option pricing model, and was based on a risk free annual interest rate of 3.68%, an expected life of approximately 2 years, an expected volatility of 136% and a dividend yield rate of nil.

As a result, the Company has allocated \$267,000 of the gross proceeds received to debt and \$163,000 to equity. Interest is normally recognized by proportioning the liability component to the face value over the term of the convertible loans based on an annual interest rate of 12%. As the interest incurred in the period is not material no allocation to equity has been recorded (2006-\$19,593).

9 SHARE CAPITAL

- (a) The Company is authorized to issue an unlimited number of common shares.
- (b) The following details the changes in the issued shares for the periods ended March 31, 2007 and December 31, 2006:

	<u>June 30, 2007</u>		<u>December 31, 2006</u>	
	Number	\$	Number	\$
Issued and Outstanding:				
Balance, beginning of period	69,248,324	\$ 35,657,624	62,748,324	\$ 35,145,408
Issued for Cash:				
Private placements	2,000,000	300,000	6,500,000	730,000
Employee stock options	-	-	-	-
Cost of equity financing	-	-	-	(217,784)
Stock based compensation related to exercise of options	-	-	-	-
Balance, end of period	<u>71,248,324</u>	<u>\$ 35,957,624</u>	<u>69,248,324</u>	<u>\$ 35,657,624</u>

The Company has placed a stop trade order on 1,000,000 of the issued and outstanding shares.

On May 8, 2007 the company closed a placement for 2,000,000 units consisting of 1 common share at \$0.15 and 1 full warrant for an additional share at \$0.20 valid for 2 years.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

9 SHARE CAPITAL (continued)

(c) Stock Options:

The Board of Directors have established a stock option plan under which options to purchase shares are granted to directors, employees, officers and consultants of the Company. The number of options and exercise price thereof is set by the Board of Directors at the time of grant, provided that the exercise price shall not be less than the market price of the common shares on the day immediately preceding the grant of the options, on the stock exchange on which such shares are then traded. All the options issued to date vest immediately and generally expire from one (1) to five (5) years from the date of Grant.

The weighted average fair value of the options granted for the period year was \$.22, and for the year ended December 31, 2006 was \$0.11.

Stock option activity for the 6 months ended June 30, 2007 and year ended December 31, 2006 is presented below:

	Weighted average exercise price		Weighted average exercise price	
	6 Months ended June 30, 2007		Year-ended December 31 2006	
	#	\$	#	\$
Balance, beginning of year	5,085,000	0.23	4,269,000	0.30
Granted	1,485,000	0.22	1,955,000	0.11
Cancelled and expired	(925,000)	(0.25)	(1,139,000)	(0.28)
Exercised	-	-	-	-
Outstanding at end of period	5,645,000	0.22	5,085,000	0.23

The following table summarizes information about the outstanding exercisable options expiring up to June 20, 2011

Range of Prices	#	Weighted Average Remaining Life in Years	Weighted Average Exercise Price
Less than .25	3,320,000	3.64	0.14
0.25 - 0.30	1,075,000	3.36	0.28
0.35 - 0.40	1,250,000	1.56	0.37
	5,645,000	2.86	0.22

The Company has recognized a compensation expense of \$84,000 in the 6 months ended June 30, 2007 & \$143,698 in the year ended December 31, 2006 using the Black Scholes method with estimated volatility at 260% (2006 – 260%) and an average risk free interest rate of 4.01% (2006 – 4.01%).

<u>CONTRIBUTED SURPLUS</u>	June 30, 2007	December 31, 2006
Balance, beginning of period	\$ 1,540,040	\$ 1,178,558
Stock based compensation charge to earnings	84,000	143,698
Warrants issued	-	217,784
options exercised	-	-
Balance, end of period	<u>\$ 1,624,040</u>	<u>\$ 1,540,040</u>

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Six Month Period Ended June 30, 2007

10 NON-CAPITAL TAX LOSSES CARRIED FORWARD

The Company has incurred losses for income tax purposes, which are available to reduce future taxable income. The potential benefits of these carry forward amounts, if any, are expected to approximate between 33 to 36%. The benefits will only be recognized in the tax provision in the year realized or when virtual certainty of application exists. The estimated losses and expiry dates are as follows:

2007	2,182,000
2008	2,122,000
2009	8,365,000
2010	794,000
2015	501,000
2026	348,000
	<u>\$ 14,312,000</u>