Environmental Waste International Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year ended December 31, 2011

April 30, 2012

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A. Nature of Business

Environmental Waste International Inc. (EWS) develops innovative products for waste treatment and disposal. We research, design, develop, sell, and maintain technologically advanced products based on our patented Reverse Polymerization^{TM} Process (RP) and proprietary delivery systems. The Company believes that these, as well as new RP applications, will ultimately achieve widespread acceptance. The public, governments and industries worldwide are recognizing the need for technology to deal with the processing, treatment and eventual disposal of organic items in an environmentally safe and responsible manner. EWS provides unique and effective solutions to many of these challenges.

To date, EWS has designed solutions for the safe disposal, recycling and/or recapture of useable byproducts of the following waste streams:

1. Used Tires;
2. Liquid Biological Waste Systems;
3. Food Waste;
4. Medical Waste and Animal Waste.

B. The TR900 Pilot Plant Tire System

On January 27, 2011 EWS acquired 100% of Ellsin Environmental Ltd (Ellsin), which had contracted EWI Rubber, a wholly owned subsidiary of EWS to build a TR900 pilot plant which was designed to break the molecular bonds in a tire, reducing it to its base components: carbon black (CB), steel and hydrocarbon vapours. The off-gas system processes the vapours to recover the oil and then treats and scrubs the remaining gas for use as a fuel in the power generation system. The CB and steel are collected at the exit portion of the System.

Earlier this year EWS completed the installation, calibration and testing of the TR900 and all of its subsystems. Subsequently, the Ministry of Environment gave the approval to begin testing and operation of the complete TR900 System. In addition, Ellsin was granted conditional processor status by the Ontario Tire Stewardship, which guarantees the supply of tires needed to complete the testing and commissioning phase. To be granted permanent processor status Ellsin must have contracts with purchasers for the byproducts. The System is presently undergoing testing, modification, fine-tuning and programming to bring it to an appropriate level of operation. Once the System is operating for prolonged periods, the final work to optimize the process efficiency and maximize the quality of the System byproducts will be undertaken.

The Company has successfully operated the TR900 for eleven continuous hours and the initial lab results on the recovered CB from this run exceeded EWS' expectations. The TR900 CB appears to be better than any previously recovered and tested from earlier systems. The TR900 has also successfully produced electrical power that was sent to the grid, by blending tire gas with natural gas.

Subsequent to year end, the Company's new Chief Operating Officer, Valdis Martinsons, hired three engineers and together they have made solid progress in identifying and rectifying several areas requiring modification, adjustment or redesign to allow for prolonged operation of the TR900. All of the issues appear to be mechanical and EWS believes that overcoming them will involve straightforward engineering. The Company will then be in a position to accelerate its sales efforts with groups interested in commercial operations and on marketing the byproducts produced by the system.

ENVIRONMENTAL WASTE INTERNATIONAL

C. History and Background of Each of Our Five Systems and University Research Project

1. TR Series – Tire Processor System

The TR Series breaks down rubber tires into several byproducts that can be used in new products. EWS is working with groups interested in purchasing tire-processing systems. Pro-forma economic models indicate attractive rates of return for the EWS tire processing systems. (See Section "**B**" above)

2. FS Series – Liquid Biological Waste Systems

EWS designed and built the FS series of products in response to a growing need to sterilize biologically contaminated effluents from research facilities. The Company delivered and installed its first FS6000 system to the United States Department of Agriculture (USDA) and continues to work with the USDA.

EWS designed the FSPOD unit for in lab effluent sterilization. The base system can fit under a laboratory countertop yet is robust enough to sterilize the effluents from any Biological Safety Level (BSL) facility. The FS-POD is ideal for retrofitting research centers as well as hospital, university and other types of laboratories. The Company has installed and commissioned an FSPOD unit at Abbott Laboratories in Chicago, IL.

3. FD Series – Food Waste Dehydrator and Sterilizer Systems

The FD Series sterilizes and dehydrates food waste for safe storage and disposal without the formation of fermented gases or odors. The first prototype system was for the naval military marketplace but recent interest has been found in the cruise ship sector as well. The prototype system has undergone testing that confirms the system's ability to sterilize food waste and allow for the safe storage of the treated waste for up to 45 days.

4. MD & AW Series – Medical and Animal Waste Systems

The MD Series is designed to fully sterilize and carbonize infectious medical waste, leaving a residue that is safe for handling and disposal. Precision Analysis, a third party lab, published a report on the efficacy of EWS's MD1000 system and its environmentally sound manner of sterilizing infected clinical waste.

The AW animal waste series is similar to the medical waste series. Most interest is focused on the safe disposal of infected animal carcasses and any associated bedding.

5. Research Projects

EWS continues to participate and support research projects with academic, government and corporate entities investigating new and novel applications of its microwave process.

D. Highlights of 2011

- **Progress on the TR900 Pilot Plant Tire System:** See Section "**B**" above.

- **Private Placement:**

  On January 24, 2011 the Company closed a fully subscribed private placement of 5,000,000 Units with gross proceeds of $1,750,000, less agent fees of $36,289 payable to arm's length parties. Each $0.35 Unit consists of one common share and one half of a Share Purchase Warrant. A whole Share Purchase Warrant allows for the purchase of one additional common share of EWS at a price of $0.50 through January 23, 2013. All shares issued in the placement were subject to a hold period that expired May 24, 2011.

- **Acquisition of Ellsin:**

  On January 27, 2011, the Company completed the acquisition of 100% of Ellsin. EWS issued 2,263,500 of its common shares and now owns the TR900 project in Sault Ste. Marie as well as all sales and marketing rights for the TR systems in Canada and the United States that were previously held by Ellsin.
- **Named to the TSX Venture Exchange Top 50 Company List:**
  In February, 2011 the Company was selected from over 2,000 companies as one of the 50 top-performing companies on the TSX Venture Exchange (TSXV). The companies were selected by the TSXV based on share price appreciation, trading volume, market capitalization growth and analyst coverage. Ten companies were chosen in each of five sectors. EWS ranked 7th in the Clean Technology sector.

Other Highlights:

- EWS announced that at the Company's Annual and Special Meeting of Shareholders on June 16, 2011, all resolutions, including the proposed changes to the Company Stock Option Plan, were approved. On June 17, 2011 EWS issued options to purchase 1,125,000 common shares at an exercise price of $0.37 per share, which included 750,000 five year options issued to Directors.
- On July 26, 2011, EWS announced it had received $1.2 million from the exercise of warrants that were part of the six million unit private placement on July 23, 2009. Each of the six million warrants allowed for the purchase of one common share at an exercise price of $0.20.
- In November 2011, the USDA renewed its monthly maintenance contract and approved a new multiyear warranty agreement with the Company. The two contracts cover ongoing maintenance and warranty work for the FS6000 unit in Maryland.

E. Going Concern Assumption

These consolidated financial statements do not incorporate material adjustments that may be necessary should the Company be unable to continue as a going concern. With a working capital deficiency of $837,149, the Company's ability to continue as a going concern is in doubt.

Until EWS is able to generate working capital from profitable operations, raising capital from the exercise of options and warrants, private placements, and loans will continue to be important to the Company's financing. In recent years working capital inadequacies have been overwhelmingly funded by arm's length transactions with outside investors.

F. Forward-looking Statements

This MD&A contains forward-looking statements, including statements about projected future revenues, expenses and cash flows, 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 results to differ materially from those anticipated. 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. A further discussion of Risks and Uncertainties can be found near the end in this document.

G. Internal Controls Over Financial Reporting

1. Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Disclosure controls and procedures within the Corporation have been designed to provide reasonable assurance that all relevant information is identified to its President and Chief Executive Officer ("CEO"), and Chief Financial Officer ("CFO") and its Audit Committee to ensure appropriate and timely decisions are made regarding public disclosure.

Internal controls over financial reporting have been designed by management, under the supervision of, and with the participation of the Corporation's CEO and CFO, to provide reasonable assurance regarding the reliability of the Corporation's financial reporting and its preparation of financial statements for external purposes in accordance with IFRS.

The Corporation will file certifications, signed by the Corporation's CEO and CFO, with the TSX Venture Exchange. In those filings, the Corporation's CEO and CFO will certify, as required by National Instrument 52-109, the appropriateness of the financial disclosure, the design and effectiveness of the Corporation's disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting. The Corporation's CEO and CFO also certify the appropriateness of the financial disclosures in the Corporation's interim filings with securities regulators. In those interim filings, the Corporation's CEO and CFO also certify the design of the Corporation's disclosure controls and procedures and the design of internal controls over financial reporting.

The Corporation's Audit Committee reviewed this MD&A and the audited consolidated financial statements and the Corporation's Board of Directors approved these documents prior to their release.

2. Management's Report on Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management, under the supervision of and with the participation of the Corporation's CEO and CFO, evaluated the effectiveness of the Corporation's disclosure controls and procedures (as defined under National Instrument 52-109) and the Corporation's internal controls over financial reporting (as defined under National Instrument 52-109). Based on that evaluation, management and the CEO and CFO have concluded that, as at December 31, 2011, the Corporation's internal controls were adequate, except those relating to complex accounting issues which will require further strengthening.

H. MD&A and Accounting Policies

Transition to International Financial Reporting Standards in 2011

Canadian Generally Accepted Accounting Principles (CGAAP) for publicly accountable entities has been replaced by International Financial Reporting Standards (IFRS) effective for all periods beginning in the first quarter of 2011. The annual and interim 2011 Consolidated Financial Statements include an IFRS opening Consolidated Balance Sheet as at January 1, 2010, 2010 comparatives, related transitional reconciliations and note disclosures. IFRS uses a conceptual framework similar to CGAAP, but certain differences exist related to items such as recognition, measurement, and disclosure that could significantly impact the Company's accounting policies and related business processes. The Company is continuing its assessment of the full impact of its transition to IFRS as discussed below.

Management's discussion and analysis of the financial condition and results of operations ("MD&A") for the year ended December 31, 2011 should be read in conjunction with the Company's December 31, 2011 audited financial statements (the "financial statements") which have been prepared in accordance with IFRS. Additional information relating to the Company is available on SEDAR at www.sedar.com, and on the Company's website www.ewmc.com. The Canadian dollar is the reporting currency.

EWS's accounting policies are set out in note 4 to the financial statements. Sales cycles for some of EWS's patented RP Process and delivery systems involve unusually lengthy periods of time that can have a direct effect on the profitability of sales through changes in component costs, market conditions, exchange rates, and other costs outside the Company's control.

Basis of Consolidation of Special Purpose Entity ("SPE")

- Environmental Waste International Limited Partnership ("EWILP"):

On June 1, 2007 the Company entered into a Technology and Intellectual Property Purchase and Sale Agreement as well as a Management Services Agreement with EWILP. In determining how to account for the operations of EWILP, EWS reviewed the risk/reward relationship between the two entities. One interpretation is that, depending on future events, CGAAP (and IFRS) could cause EWILP to be viewed as a primary SPE to EWS, which would require consolidation of EWILP's financial statements. Another interpretation of this relationship dictates that EWS is, and has always been, the primary beneficiary. In view of the possibility that the Company might be required to consolidate EWILP, and although the Company does not legally control EWILP's net assets, the Company applied the consolidation method of accounting to include the activities of EWILP.

Non-controlling interest (equity) and deficit were restated as January 1, 2010, under CGAAP to record an error in the consolidation of the Company's investment in EWILP. Please refer to note 22E on page 45 of the Company's December 31, 2011, audited financial statements

- Ellsin:

In the prior year, the Company had consolidated Ellsin as a Variable Interest Entity (a Special Purpose Entity under IFRS) effective November 1, 2010. The Company, which legally acquired 100% of Ellsin on January 27, 2011, has now changed the date of consolidation to the date of the closing of the transaction and has restated the prior year's December 31, 2010 statements. The transaction is being accounted for using the purchase method of consolidation and is an equity, non cash transaction. A gain of $611,145 resulted from the re-measurement of the Company's equity interest in Ellsin. Please refer to note 22G on page 49 of the Company's December 31, 2011, audited financial statements

I. Future Accounting Standards

The following IFRS Standards have been issued but are not yet effective:

IFRS 7-Financial Instruments-Disclosures
FRS 9-Financial Instrument-Classification and Measurement
IFRS 10-Consolidated Financial Statements
IFRS 11-Joint Arrangements
IFRS 12-Disclosure of Interests in Other Entities
IFRS 13-Fair Value Measurement
IAS 27-Separate Financial Statements
IAS 28-Investments in Associates and Joint Ventures
IAS 1-Presentation of Financial Statements
IAS 19-Employee Benefits

Each of the above standards has a different effective date for required adoption. Please refer to financial statement note 6 for more details.

J. Outlook & Growth Strategy

The Company's current focus is on bringing the TR900 Pilot Plant to production for extended periods. The Company has incurred significant operating losses since inception. It often has a working capital deficit that impedes its manner of operations. The Company presently has sufficient working capital to complete its obligations under the TR900 project. To maintain its working capital and to meet its growth objectives subsequent to 2012, the Company may need to raise additional funds. The Company's ability to achieve its goal of sustained profitability remains contingent upon several factors, some of which include obtaining additional financing either through sales or equity and achieving a profitable level of operations.

K. Date of MD&A

The information contained herein is current as at the date of filing of the December 31, 2011 financial statements with the Auditor's Report dated April 30, 2012.

L. Selected Annual Information

1. Summary of Quarterly Balance Sheets (Unaudited)

	2011				2010			
($ 000's)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Accounting Framework	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Current Assets	1,338	699	802	480	2,156	2,969	2,011	2,204
Current Liabilities	1,899	1,858	1,562	1,317	2,415	4,087	2,910	2,546
Shareholders' Equity	(235)	(466)	114	944	(427)	(389)	(185)	(676)

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

	2011				2010			
($ 000's except per share amounts)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Accounting Framework	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	13	13	13	517	134	601	1,740	594
Total Expenses incl. Stock Based Comp & Amort.	1,116	522	544	1,776	297	707	1,416	1,489
Stock Based Compensation	0	5	0	376	0	0	0	488
Amortization	14	14	14	718	13	13	13	15
Net Income (Loss)	(1,098)	(509)	(529)	(650)	(143)	(68)	360	(1,431)
Weighted Ave.# of Shares	83,678	87,245	89,911	89,404	77,448	77,481	77,812	78,443
Income (Loss) per share	(0.013)	(0.019)	(0.024)	0.025	(0.002)	(0.001)	0.005	(0.018)

3. Summary of Quarterly Statements of Cash Flow (Unaudited)

	2011				2010			
($ 000's)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Accounting Framework	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operations	(1,614)	(917)	(997)	1,028	(433)	2,625	(793)	(2,385)
Investing Activities	(435)	(5)	(56)	(303)	(8)	(924)	2	927
Financing Activities	2,762	277	1,110	(923)	0	126	(334)	469
Cash at Beginning	462	1,176	530	588	1,189	766	2,604	1,468
Cash at End	1,176	530	588	388	766	2,604	1,468	462

4. Comparison of Fiscal Years ended December 31

($ 000's except per share amounts)	2011	2010	2009	2008	2007
Accounting Framework	IFRS	IFRS	CGAAP	CGAAP	CGAAP
Total Assets	5,017	2,312	2,274	613	791
Total Liabilities	4,072	2,988	1,777	1,259	1,016
Shareholders' Equity	944	(676)	(496)	(645)	(225)
Shares Issued	93,860	78,958	78,008	71,398	71,248
Total Revenues	556	3,069	803	210	252
Total Expenses incl. Stock Based Comp & Amort	3,958	3,908	2,253	1,108	1,095
Stock Based Compensation	376	488	273	78	129
Write downs	0	0	0	0	0
Net Income (Loss)	(2,786)	(1,282)	(851)	(494)	(544)
Net Income (Loss) per Share	(0.031)	(0.016)	(0.011)	(0.007)	(.012)
Cash Dividends Declared (per share)	$0.00	$0.00	$0.00	$0.00	$0.00

M. Revenue

Revenues are generally derived from sales of systems. Each sale can be of significant value. As a result of each sale having a long lead-time and then a long period of planning, engineering, manufacture, shipping, installation and commissioning, revenues from operations can fluctuate dramatically. Revenues include fees for a service contract for the USDA. Revenue by quarter for the current and preceding year is set out in the accompanying charts.

N. Segmented Information – Revenue

($ 000's) **Geographical Revenue**	2011	2010
Canada	491	3,015
United States	65	54

The geographic source of revenue is not significant in determining profitability. The Company intends on having its products used on all continents.

Percentage of Sales	2011	2010
TR Series and other	88%	98%
FS Series	12%	2%

O. Manufacturing Expenses and Cost of Sales

EWS expenses all costs as incurred unless such costs are directly related to specific ongoing projects. Costs associated with EWS's prototype projects are not identified separately as this information would not be meaningful to calculating future profitability.

P. Salaries and Consulting

Due to the lack of current sustainable revenue from all applications, employee head counts and associated overheads continue to remain at reduced levels and are being tightly controlled. Where appropriate, employee costs are included in research and development.

Q. Scientific Research and Development

Research and development costs incurred in the advancement of products and projects are allocated to research and development on the Statement of Operations. These costs include wages and materials. An active research and development program is continuously ongoing.

R. 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 with Canadian dollars.

S. Stock Based Compensation

The Company uses the fair value method of accounting for employee stock options that are granted to employees, directors, officers, and consultants. The Company may grant options to a maximum of 10% of the issued and outstanding common shares on a non-diluted basis. The exercise price is equal to or above the market price of the Company's stock price on the day prior to the date of grant and the options have a maximum term of five years. Options vest when issued, although there is a four-month TSXV restriction on options being exercised and traded from the date of issue. In 2007 shareholders approved a resolution requiring a vesting period of six months on all new options issued under the Stock Option Plan.

IFRS and CGAAP require companies to record a compensation expense for stock options. The value of these options is calculated using the Black-Scholes valuation model and expensed over the period in which the options vest. For the year-ended December 31, 2011, the amount of the expense recorded was $376,250 compared with $488,367 for the year ended December 31, 2010. The calculation was based on the estimated volatility of 173% to 193% and an average risk free interest rate of 2.2%.

T. Depreciation and Amortization

Amortization is provided annually on property and equipment, other than land, at rates designed to charge the cost of the assets over their estimated useful lives. As previously reported, all rights to EWS's patents, proprietary software and system design portfolio, except for tire and wastewater applications, were sold in 2007 to EWILP, which is consolidated in these financial statements. In 2002 the value of technology rights were written down to $500,000, and amortized on a straight-line basis at $50,000 per annum based on an estimated life of 10 years. This policy continues for the consolidated statements.

In 2011, intangible assets were acquired when EWS purchased 100% of Ellsin. Management has determined that these intangible assets relate to the TR900 pilot plant and the marketing rights reacquired from Ellsin and have an enduring benefit of five years. As a result, intangible assets are being amortized over a five year period.

U. Income Taxes

The Company has approximately $3,988,342 in loss carry forwards for income tax purposes that may be utilized to offset taxable income of future years. These losses are reduced by the amount of the scientific research and development credits received. It is not determinable at this time whether the Company will generate sufficient income to utilize all of these loss carry forwards.

V. Interest on Debt

Interest on convertible debt decreased year over year as a result of the reduced interest rate in effect throughout the year. Please refer to "Liquidity and Capital Resources," and the audited annual financial statements for additional disclosures.

W. Net Loss

The Company incurred a net loss of $ ($2,786,007) for the fiscal year ending December 31, 2011 versus a net loss of $(1,282,200) in 2010. The following chart explains the main year over year variances:

	2011	2010	Variance	See Note Below
Revenue	555,867	3,069,324	(2,513,457)	a
Manufacturing costs of the TR900	(999,064)	(2,006,291)	(1,007,227)	b
Wages and benefits	(706,824)	(618,054)	88,770	c
Stock-based compensation	(376,250)	(488,367)	(112,117)	d
Professional fees, insurance, marketing, travel	(734,186)	(340,098)	394,088	e
Share of loss of Ellsin	-	(588,724)	(588,724)	f
All other income and expense items	(525,550)	(309,990)	215,560	
Net loss for the period	(2,786,007)	(1,282,200)	(1,503,807)	

Notes

a. Revenue- Recognized less consulting fees from the TR900 pilot plant in 2011 versus 2010. This is due to recognizing income earned using the percentage of completion basis as well as the 100% purchase of Ellsin early in 2011.
b. Manufacture costs of the TR900-Higher costs incurred in 2010.
c. Wages and benefits-Salary increases, new hires
d. Stock-based compensation-Lower in 2011 as fewer options were issued in 2011 versus 2010.
e. Professional fees-audit, legal, investor relations, insurance, marketing, travel expenses are all significantly higher in 2011.
f. Share of loss of Ellsin-Method of accounting for Ellsin changed from the equity method to consolidation on January 27, 2011.

X. Customer Reliance

Past sales to the USDA and Abbott Laboratories represent initial steps toward market penetration and building a diversified business model. However, if the above noted entities either cease operations or cease using EWS equipment, it could have a negative effect on the Company's future sales efforts.

Y. Liquidity and Capital Resources

($ 000's)	2011	2010	2009	2008
Accounting Framework	IFRS	IFRS	CGAAP	CGAAP
Working Capital (Deficiency)	(837)	(341)	(251)	18
Customer Deposits	50	50	50	0

The Company expects to have sufficient working capital to meet its current obligations including those related to the TR900 project.

Z. Working Capital Shortages

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

- New sales orders currently under negotiation;
- Exercising of existing share options and warrants;
- Further private placements;

There are no guarantees that the necessary working capital will be realized in this manner.

AA. Issued Shares and Share Data, Options and Warrants

	December 31, 2011	Average Exercise Price	Average Term Remaining (years)	December 31, 2010	Average Exercise Price	Average Term Remaining (years)
Issued Common Shares	93,859,797			78,958,324		
Options outstanding	6,505,000	$0.26	2.48	6,610,000	$0.21	2.65
Warrants Outstanding	2,500,000	$0.50	1.07	6,515,000	$0.20	0.54

BB. Related Party Transactions

Loans from related parties bore interest as follows:

($ 000's)	2011	2010
Interest Paid on Loans to Related Parties	49	59

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.

CC. Commitments, Contractual Obligations and Contingent Liabilities

The Company has no contractual obligations other than in the normal course of business.

DD. Off-Balance Sheet Arrangements

The Company does not enter into off-balance sheet arrangements as a matter of practice. Lease arrangements for equipment are not material. In accordance with IFRS, neither the lease liability nor the underlying assets are carried on the Balance Sheet.

EE. Subsequent Events

- For an update on the TR900 subsequent events, please see Section "**B**" above.
- On January 10, 2012 EWS announced the appointment of Mr. Valdis Martinsons to the position of Chief Operating Officer (COO). Mr. Martinsons will oversee the completion of the TR900 Pilot Plant in Sault Ste. Marie and lead the engineering team that implements the system design and advancements for commercial models of the TR Series.
- On January 19, 2012 EWS announced that its Board of Directors, on the recommendation of the Audit Committee, has appointed Ernst & Young LLP as its independent registered public accounting firm.
- On January 30, 2012, EWS announced that the December 30, 2011 private placement of 8,000,000 units was fully subscribed for by a group of funds managed by Porter Orlin LLC. Each unit consists of one common share and 0.375 of a share purchase warrant. A whole share purchase warrant entitles the holder to purchase one additional common share of EWS at a price of $0.50 through January 30, 2014. The shares and share purchase warrants are subject to a TSXV four month hold that expires on May 30, 2012. The group of funds managed by Porter Orlin LLC now holds approximately 16% of the issued EWS common shares.
- On February 16, 2012 EWS announced that it had received the Tire Technology International Award for Innovation and Excellence 2012 in the category of Environmental Achievement. The award selection and presentation was organized and sponsored by Tire Technology International magazine. The presentation was held on February 15, 2012 before over 500 tire industry professionals attending the Tire technology Expo in Cologne, Germany.

- On April 4, 2012 EWS announced that it had extended the maturity date of $497,000 of convertible loans. These loans, which were due April 9, 2012, are now due April 30, 2013 and can be converted into common shares at the rate of $0.25 per share.

FF. Fourth Quarter Analysis

The operating results of the fourth quarter of 2011and 2010 comparatives are contained within the quarterly charts included above. The results of the fourth quarter include yearend adjustments, several of which relate to the accounting of the Ellsin transaction. Please refer to note 22 of the Company's December 31, 2011 audited financial statements. Further, the recognition of stock compensation expense occurs at the date of vesting of options, which for EWS is generally six months from the date of grant.

GG. Critical Accounting Policies, Estimates and Accounting Changes

Commencing with the first quarter of this year, the transition to IFRS as noted in Section KK below, is complete.

HH. Currency & Exchange Rate Uncertainty Risk

EWS hopes to enter into agreements throughout the world. As a result, the Company will be exposed to currency fluctuations, which could negatively affect operations. The Company's revenues are currently entirely in Canada.

II. Risks and Uncertainties

The Company is dependent upon many factors, particularly obtaining new sales. Failure to achieve further sales could imperil its continued operation since the Company will not have sufficient cash reserves and will be forced to seek additional equity or debt or both.

The Company believes its systems to be safe and adequately tested. However, there is no assurance that mechanical or system failure will not be harmful in certain circumstances.

The Company's success depends in part, on its proprietary technology, which it believes it has adequately protected. However, there can be no assurance that these will not be challenged, or that competitive technologies will not arise.

Other factors that could affect the Company's actual results, include, but are not limited to, (i) management's ability to manage the Company's cash flow, including anticipation of any significant capital expenditures; (ii) the ability to sell the Company's products profitably; (iii) changes in material costs (iv) the ability to secure future financing and (v) the ability to raise additional capital if required to cover the day to day operating expenses of the Company.

While EWS has made notable progress in the current quarter, there is no assurance that this will result in continued progress or in profitability.

The preceding list is not exhaustive.

JJ. Management Responsibility for Financial Reporting

The Company's December 31, 2011 audited financial statements have been prepared by management in accordance with IFRS, and have been approved by the board of directors. The integrity and objectivity of these financial statements are the responsibility of management. In addition, management is responsible for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

EWS maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. The financial statements may contain certain amounts based on estimates and judgments.

The board of directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The board carries out this responsibility principally through its audit committee. The audit committee has at least one financial expert, and none of its members are involved in the daily operations of the Company. The Committee meets periodically with management and the external auditor to discuss internal controls over financial reporting and auditing matters.

The committee reports to the board for approval of the financial statements as well as to shareholders for the reappointment of the external auditors.

For reference purposes, please refer to the December 31, 2011 year-end financial statements, which have been audited on behalf of the shareholders by Ernst & Young LLP Chartered Accountants, the external auditors, in accordance with IFRS. The external auditors have full and free access to the audit committee with respect to their findings concerning the fairness of the financial reporting and the adequacy of internal controls.

KK. International Financial Reporting Standards (IFRS)

Transition to International Financial Reporting Standards in Fiscal 2011

CGAAP for publicly accountable entities has been replaced by IFRS, effective for interim and annual periods beginning in the first quarter of 2011. The annual and interim 2011 Consolidated Financial Statements include an IFRS opening Consolidated Balance Sheet as at January 1, 2010, December 31, 2010 comparatives, related transitional reconciliations and note disclosures. IFRS uses a conceptual framework similar to CGAAP, but certain differences exist related to items such as recognition, measurement, and disclosure that could significantly impact the Company's accounting policies and related business processes. The Company has assessed the full impact of its transition to IFRS, as discussed below.

IFRS Transition Program Summary

a) Accounting Policies

• Performed a detailed comparison of IFRS to Canadian GAAP to determine the impact to the Company's accounting policies.
• Key differences between IFRS and Canadian GAAP have been identified.
• Other differences between IFRS and Canadian GAAP, which were expected to have a lower impact and require limited changes to business processes have also been identified
• Analyze and determine ongoing policies where alternatives are permitted.
• The Company analyzed the available alternatives and selected the most appropriate policies.
• Analyzed and determined which IFRS 1, First-time Adoption of International Financial Reporting Standards (IFRS 1) exemptions were taken on transition to IFRS.
• Identified the tax implications resulting from first time adoption decisions and ongoing accounting policy differences.
• Implemented appropriate revisions to key accounting policies

b) Financial Statement Preparation and Reporting

• Identified and implemented significant changes in note disclosures and financial statement presentation.
• Assessed the impact of transition on the IFRS opening Consolidated Balance Sheet.

IFRS IMPACT ON DECEMBER 31, 2011 FINANCIAL STATEMENTS

FIRST-TIME ADOPTION OF IFRS

Accounting changes resulting from the transition to IFRS are reflected in the Company's IFRS opening Consolidated Balance Sheet on a retrospective basis. For additional notes on IFRS impact of first time adoption please refer to Note 22 of the Company's December 31, 2011 audited financial statement.

SHARE-BASED PAYMENTS

Under IFRS, the cost of share-based payments is recognized over the period that an employee provides the service to earn the award. This period generally includes the vesting period. Under CGAAP, the Company does not recognize an expense during the vesting period. Since Environmental Waste International Inc. had no share based option payments outstanding on or before 7 Nov 2002, it is not required to choose the optional exemption of applying IFRS 2: Share Based Payment.

DESIGNATION OF FINANCIAL INSTRUMENTS

Under IAS 39, Financial Instruments: Recognition and Measurement, entities are permitted to make certain designations only upon initial recognition. IFRS 1 provides entities with an opportunity to make these designations on the date of transition to IFRS. Specifically, on transition, IFRS 1 permits the Company to a) make an available-for-sale designation for financial assets and, b) designate any financial asset or financial liability as at fair value through profit or loss provided the asset or liability meets certain criteria specified under IFRS at that date. The Company has determined that it will not re-designate any of its financial assets to available-for-sale or fair value through profit or loss on transition.

ESTIMATES

An entity's estimates under IFRSs at the date of transition to IFRSs shall be consistent with estimates made for the same date under previous CGAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Estimates shall not be adjusted for information received after the date of transition to IFRSs; this information is to be treated in the same way as non-adjusting events after the balance sheet date under IAS 10.

DEEMED COSTS

IFRS 1 allows an exemption from re-measuring an item's cost in line with IAS 16; the fair value of the asset at the date of transition can be used as its deemed cost, this will be the base for subsequent depreciation. This election may be used selectively for individual items of property, plant and equipment. However, Environmental Waste International Inc. has declined to take this exemption.