E.W.M.C. INTERNATIONAL INC.

Consolidated Financial Statements

December 31, 1999

Contents

WM. ANDREW CAMPBELL C.A.
SUITE 420, 111 RICHMOND ST. WEST
TORONTO, ONTARIO
M5H 2G4

Tel.: (416) 366-2856
Fax: (416) 366-8179

Auditors Report to the Shareholders

To the Shareholders of:
E.W.M.C. International Inc.

I have audited the consolidated balance sheets of E.W.M.C. International Inc. as at December 31, 1999 and 1998 and the consolidated statements of operations and deficit and changes in cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these consolidated financial statements based on our audits.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and the changes in its cash flows for the years then ended in accordance with generally accepted accounting principles.

The financial statements for the year ended December 31, 1998 were audited by another firm of auditors, who expressed an opinion thereon without reservation dated May 19, 1999.

(Signed "Wm. Campbell C.A.")
Chartered Accountant
Toronto, Ontario
May 18, 2000

E.W.M.C. International Inc.
Consolidated Balance Sheets
December 31, 1999

Assets

	1999	1998
Current		
Cash	$ 69,770	$ 11,787
Prepaid expenses and miscellaneous receivables	627,611	657,697
	697,381	669,484
Other		
Capital assets (Note 3)	1,829,747	2,260,537
Equipment held for demonstration or resale (net of accumulated depreciation of $437,408; 1998 $292,267)	1,023,932	1,169,065
Patents and technology (net of accumulated amortization of $3,935,790; 1998 $2,922,229)	6,199,816	7,213,377
	$ 9,750,876	$ 11,313,463

Liabilities

	1999	1998
Current		
Accounts payable and accrued liabilities	$ 1,754,920	$ 1,770,036
Deferred revenue	443,750	443,750
Loans and advances from related parties (Note 4)	59,000	174,000
	2,257,670	2,387,786

Shareholders Equity

	1999	1998
Share Capital (Note 5**)**	29,034,829	28,038,850
Deficit (Page 4)	(21,541,623)	(19,114,173)
	7,493,206	8,924,677
	$ 9,750,876	$ 11,312,463

See Commitments and Contingencies (Note 6)

Approved on behalf of the Board of Directors:

(Signed) "Robert Bryniak" Director

(Signed) "Stephen Simms" Director

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See accompanying Notes to Consolidated Financial Statements

E.W.M.C. International Inc.
Consolidated Statements of Loss and Deficit
For the years ended December 31, 1999 and 1998

	1999	1998
Revenue:		
Interest income	$ 749	$ 4,421
	749	683,861
Operating Expenses:		
Depreciation and amortization	1,589,486	$ 1,844,720
Operations, general and administration	761,845	2,536,384
Royalties	-	239,720
Research and development	76,868	834,883
	2,428,199	5,530,275
Loss for the year	2,427,450	4,846,414
Deficit, beginning of year	19,114,173	15,146,796
Deficit, end of year	$ 21,541,623	19,114,173
Loss per share (note 7)	$ 0.065	$ 0.14

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See accompanying notes to Consolidated Financial Statements

E.W.M.C. International Inc.
Consolidated Statements of Changes in Cash Flows
For the year ended December 31, 1999 and 1998

	1999	1998
Cash provided by (used in):		
Operation Activities:		
Loss for the year	$ (2,427,450)	$(3,967,377)
Add: items not affecting cash		
Depreciation and amortization	1,589,486	1,844,720
Changes in non-cash operating working capital:		
Prepaid expenses and miscellaneous receivables	30,086	2,764
Accounts payable and accrued liabilities	(15,118)	259,536
Loans from Directors	(115,000)	174,000
Provided by (Used in) Operating Activities	(937,996)	(1,686,357)
Financing Activities		
Issue of common shares for cash	791,115	1,504,036
Issue of common shares under contract settlement	204,863	-
Issue of common shares on acquisition of patents and technology (note 5)	-	1,200,000
Provided by (Used in) Financing Activities	995,979	2,704,036
Investing Activities		
Expenditures on capital assets	-	(3,578)
Acquisition of Patents and technology	-	(1,200,000)
Provided by (Used in) Investing Activities	-	(1,203,578)
Increase (decrease) in cash	57,983	(185,899)
Cash, beginning of year	11,787	197,686
Cash, end of year	$ 69,770	$ 11,787

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See accompanying Notes to Consolidated Financial Statements

E.W.M.C. International Inc.
Notes to Consolidated Financial Statements
December 31 1999 and 1998

1. Nature of business and going-concern considerations

The Company has long-term agreements that allow it to license and develop uses for certain technology that has application in the manufacture of machines which reduce various waste material to their original component state and/or carbon black. The Company's principal business is the licensing and sale of this technology and related machines throughout the world.

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. The Company has not yet attained commercial production and has no recurring sources of revenue. The Company is in significant need of additional financing to enable it to continue its business. In the absence of additional financing, the Company will not have sufficient funds to meet its obligations. Management continues to look at various alternatives to raise additional financing; however, there is no assurance that this will be successful.

If the going-concern basis was 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.

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Environmental Waste Management Corporation ("EWMC"), Jaguar Carbon Sales and EWMC America Inc.

These financial statements are prepared using generally accepted accounting principles applicable to a going concern which assumes realization of assets and the liquidation of liabilities in the normal course of business.

(b) Revenue recognition:

The Company records licensing fees upon cash receipt, unless a reasonable deposit is received and a history of cash collection has been established, in which case, licensing fees are recorded when due.

Revenue is recorded on the sale of machines when a machine is completed and shipped. Deposits received relating to machine purchases are recorded as deferred revenue.

(c) Capital assets

Pilot plant and other equipment are stated at cost. Depreciation is provided using the following methods and annual rates:

Assets	Basis	Rate
Pilot plant	Straight-line	10 years
Computer equipment	Declining balance	30%
Equipment and furniture	Declining balance	20%
Forklift	Declining balance	20%
Vehicle	Declining balance	30%
Leasehold improvements	Straight-line	5 years

E.W.M.C. International Inc.
Notes to Consolidated Financial Statements
December 31 1999 and 1998

2. Significant accounting policies (continued):

(d) Equipment held for demonstration or resale:

Equipment held for demonstration or resale is stated at cost. Depreciation is provided on a straight-line basis at 10% per year. Equipment held for demonstration or resale did not become fully operational until the end of 1996 and accordingly, depreciation expense was not recorded prior to 1997.

(e) Patents and technology:

Patents and technology are recorded at cost and amortized over a ten-year period not to exceed the life of the patent.

(f) Research and development:

Research and development costs, including software, are expensed as incurred.

(g) Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Capital assets

1999	Cost	Accumulated Depreciation	Net Book Value
Pilot plant	$ 3,191,519	$ 1,669,132	$ 1,522,387
Computer equipment	855,970	661,092	194,878
Equipment and furniture	423,301	312,892	110,409
Forklift	8,245	6,172	2,073
Leasehold improvements	1,323,518	1,323,518	-
	$ 5,802,553	$ 3,972,806	$ 1,829,747

1998	Cost	Accumulated Depreciation	Net Book Value
Pilot plant	$ 3,191,519	$ 1,349,980	$ 1,841,539
Computer equipment	855,970	577,573	278,397
Equipment and furniture	423,301	285,290	138,011
Forklift	8,245	5,655	2,590
Leasehold improvements	1,323,518	1,323,518	-
	$ 5,802,553	$ 3,542,016	$ 2,260,537

E.W.M.C. International Inc.
Notes to Consolidated Financial Statements
December 31 1999 and 1998

4. Loans and advances from related parties

The loans and advances from related parties are interest free and have no fixed repayment terms.

5. Share capital:

(a) Issued and outstanding

	1999		1998	
	Number	Amount	Number	Amount
Authorized:				
Unlimited number of common shares				
Issued and Outstanding:				
Balance, beginning of year	33,322,539	$ 28,038,850	23,265,487	$ 25,334,814
Issued in exchange for territory rights	-	-	6,000,000	1,2000,000
Issued under Contract Settlement	275,000	204,863	-	-
Issued for cash:				
Private Placements	6,186,616	660,402	1,655,556	726,668
Under Option agreements	886,429	130,714	2,401,496	777,368
Balance, end of year	40,670,584	$ 29,034,829	33,322,539	$ 28,038,850

During 1998, the Company issued 6,000,000 shares at an assigned value of $1,200,000 in exchange for territory rights (note 8).

During 1999, under the former management, the Company issued private placements totaling 3,782,166 common shares at prices ranging from $0.1125 to $0.15 with attached warrants exercisable for an additional 1,464,083 common shares at prices ranging from $0.15 to $0.23. During 1999 the full placements of 3,782,166 plus warrants for an additional 637,500 common shares were exercised for total proceeds of $419,012.

During 1999, under new management (as of September 23, 1999(a private placement was issued for 1,600,000 common shares at $0.13 per share plus warrants exercisable for 1,600,000 common shares at $0.20. During 1999 all shares totaling 1,600,000 plus 166,950 warrants were exercised for aggregate proceeds of $241,390.

During 1999, 886,429 options were exercised under the option plan for aggregate proceeds of $130,714. As at December 31, 1999 there were options outstanding to acquire up to 3,448,500 shares at prices ranging from $0.20 to $0.50 per share.

(b) Employee Stock purchase plan

In 1997, the Company established a stock purchase plan for employees, officers and directors. The total number of shares which may be reserved and set aside pursuant to this plan cannot exceed 1,000,000 common shares. The exercise price for purchasing shares cannot be less than the market price of the common shares on the last day on which the common shares traded prior to the date of the granted option.

E.W.M.C. International Inc.
Notes to Consolidated Financial Statements
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6. Commitments and contingencies

(a) During the year ended December 31, 1998, the Company entered into an agreement to acquire the building and land it currently rents at 283 Station Street, Ajax, Ontario for $1,650,000. The closing date originally scheduled for July 30, 1999 has been extended to November 30, 2000.

(b) The Company is committed to future minimum lease payments under an operating lease for premises, expiring July 31, 2000, in the amount of approximately $104,000 annually, if it does not close its agreement to purchase the building (see note 5a).

(c) On May 20, 2000 a former officer against the Company commenced an action for $1,000,000 plus costs alleging wrongful dismissal. The Company denies any liability, and has made no provision in the financial statements. Legal counsel is unable to form an opinion on the merits of this claim at this time.

(d) During the year the Company issued to a former partner of CLE Management Inc., 125,000 common shares and a weekly fee of $1,000 for past services rendered.

7. Loss per share:

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year. Stock options and warrants do not have a dilutive effect on loss per share. The weighted average number of common shares outstanding are as follows:

1999	36,957,561
1998	28,263,480

8. Significant agreements:

The Company has entered into an agreement with an unrelated company, CLE Management Inc. (“CLE”), to use certain technology, patents and other information owned by CLE. The Company has agreed to make royalty payments to CLE totaling 50% of any licensing fees received and 20% on the net cost of each machine up to $250,000 per machine sold, 15% on the net cost of each machine between $250,000 and $500,000 and 10% on the net cost of each machine in excess of $500,000. This agreement runs in perpetuity, has no minimum performance requirement and covers North America, Europe, the Middle East countries and the former Soviet block of countries. The Company purchased its pilot plant from CLE to assist in the marketing of this technology and patents.

In 1994, the Company issued 1,000,000 common shares at an assigned value of $3,100,000 and assigned warrants to purchase 500,000 common shares at a price of $8.00 per share in exchange for a reduction in the royalty rates to those described above and to purchase the rights to Auto Shredder Residue (ASR) for North America.

In 1995, the Company issued to Emery International 500,000 common shares at an assigned value of $1,000,000 to purchase the licensing rights for medical waste technology for Brazil.

In 1996, the Company finalized an agreement with Emery International whereby it obtained the rights to medical waste technology for the rest of South America, as well as rubber tires for South America, in exchange for 1,256,000 shares and a 5-year warrant, for 300,000 shares at $8.00 per share.

In 1998, the Company entered into a new agreement with Emery International whereby it obtained the Worldwide rights to medical waste technology, rubber reduction, plastic, soil remediation, solid municipal waste, auto shredder residue, coal and secure media disposal, in exchange for 6,000,000 common shares at an assigned value of $1,200,000.

9. Income taxes:

The Company and its subsidiaries have losses for income tax purposes of approximately $15,800,000 available to offset future taxable income, the benefit of which has not been reflected in these financial statements and which expire approximately as follows:

2000	$ 800,000
2001	1,300,000
2002	1,300,000
2003	3,000,000
2004	3,000,000
2005	4,000,000
2006	2,400,000
	$15,800,000

10. Comparative figures:

Certain 1998 comparative figures have been reclassified to conform to the financial statement presentation adopted for 1999.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Data-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information-using year 2000 dates are processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effect of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect the entities ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. As of the date of the Auditor's Report no Year 2000 problems have been detected.