E.W.M.C. INTERNATIONAL INC.

Consolidated Financial Statements

December 31, 2000

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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, 2000 and 1999 and the consolidated statements of operations and deficit and 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, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

(Signed "Wm. Campbell C.A.")
Chartered Accountant
Toronto, Ontario
May 11, 2001

E.W.M.C. International Inc.
Consolidated Balance Sheets
December 31, 2000

Assets

	2000	1999
Current		
Cash	$ 795,178	$ 69,770
Accounts receivable	779,153	452,611
Prepaid expenses and deposits	175,000	175,000
	1,749,331	697,381
Other		
Capital assets (note 3)	224,741	1,829,747
Equipment held for demonstration or resale (net of accumulated depreciation of $1,461,339); 1999 $437,408)	1	1,023,932
Patents and technology (net of accumulated amortization of $4,948,451; 1999 $3,935,790)	5,186,655	6,199,816
	5,411,397	9,053,495
	$ 7,160,728	$ 9,750,876

Liabilities

	2000	1999
Current		
Accounts payable and accrued liabilities	$ 345,080	$ 1,754,920
Deferred revenue	-	443,750
Customer deposits	110,000	-
Loans and advances from related parties (Note 4)	134,000	59,000
	589,080	2,257,670

Shareholders Equity

	2000	1999
Share Capital (Note 5)	31,393,308	29,034,829
Deficit (Page 4)	(24,821,660)	(21,541,623)
	6,571,648	7,493,206
	$ 7,160,728	$ 9,750,876

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, 2000 and 1999

	2000	1999
Revenue:		
Medical equipment	$ 655,366	$ -
Interest income	4,498	749
	659,864	749
Operating Expenses:		
Operations, general and administration	2,190,926	$ 761,845
Research and development	9,157	76,868
Amortization and depreciation	1,095,777	1,589,486
	3,295,860	2,428,199
(Loss) before the following item:	(2,635,996)	(2,427,450)
Write down of pilot plant (net of direct expenses)	(644,041)	-
(Loss) for the year	(3,280,037)	(2,427,450)
Deficit, beginning of year	(21,541,623)	(19,114,173)
Deficit, end of year	$ (24,820,660)	(21,541,623)
Loss per share (note 7)	$ (0.072)	$ (0.065)

See Auditors Report to Shareholders appearing on Page 2
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, 2000 and 1999

	2000	1999
Cash provided by (used in):		
Operation Activities:		
Loss for the year	$ (3,280,037)	$ (2,427,450)
Add: items not affecting cash:		
Write down of pilot plant (net of related costs)	1,658,821	-
Amortization and depreciation	1,095,777	1,589,486
	(525,439)	(837,964)
Changes in non-cash operating working capital:		
Accounts receivable	(326,542)	205,086
Prepaid expenses and deposits	-	(175,000)
Accounts payable and accrued liabilities	(1,409,840)	(15,118)
Customer deposit	110,000	
Loans from Directors	75,000	(115,000)
	(1,551,382)	(100,032)
Provided by (Used in) Operating Activities	(2,076,821)	(937,996)
Financing Activities		
Deferred revenue	443,750	-
Issue of common shares for cash	2,358,479	791,115
Issue of common shares under contract settlement		204,863
Issue of common shares on acquisition of patents and technology (note 5)	-	-
Provided by (Used in) Financing Activities	2,802,229	995,979
Increase (decrease) in cash	725,408	57,983
Cash, beginning of year	69,770	11,787
Cash, end of year	$ 795,178	$ 69,770

See Auditors Report to Shareholders appearing on page 2
See accompanying Notes to Consolidated Financial Statements

E.W.M.C. International Inc.
Notes to Consolidated Financial Statements
December 31 2000

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 Limited.

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 2000

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

2000	Cost	Accumulated Depreciation	Net Book Value
Pilot plant	$ -	$ -	$ -
Computer equipment	855,970	719,555	136,415
Equipment and furniture	423,301	334,975	88,326
Forklift	8,246	8,246	-
Leasehold improvements	-	-	-
	$ 1,287,517	$1,062,775	$224,741

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

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Notes to Consolidated Financial Statements
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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

	2000		1999	
	Number	Amount	Number	Amount
Authorized:				
Unlimited number of common shares				
Issued and Outstanding:				
Balance, beginning of year	40,670,584	$ 29,034,829	33,322,539	$ 28,038,850
Issued under Contract Settlement	50,000	50,000	275,000	204,863
Issued for cash:				
Warrants	1,259,583	296,603		
Private Placements	2,118,360	1,119,180	6,186,616	660,402
Under Option agreements	3,860,000	892,696	886,429	130,714
Balance, end of year	48,548,910	$31,393,308	40,670,584	$ 29,034,829

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.

During 2000, the Company issued private placements totaling 2,118,360 units, 1,518,360 units entitled the holder to acquire one common share at $0.50 and one half warrant for $0.75, and 600,000 units which entitled the holder to acquire one common share for $0.60 and one warrant at $0.75. Each full warrant entitled the holder to acquire one additional common share.

During 2000, 3,860,000 options were exercised under the option plan for aggregate proceeds of $892,696.

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5.Share capital: (continued):

As at December 31, 2000, there were 4,410,571 employee, officers and directors options outstanding exercisable at prices ranging from $0.44 per share to $0.90 per share with expiry dates up to October 15, 2005.

In addition there were options outstanding of 2,000,000 options outstanding, 1,000,000 exercisable at $0.50, and 1,000,000 exercisable at $1.00 per both of which expire on May 2, 2002.

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. During the year ended December 31, 2000, the Company renegotiated the acquisition price to be $1,350,000 and extended the closing date originally scheduled for July 30, 1999 to November 30, 2001.

(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
2000	44,779,000

8. Significant agreements:

(a) 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.

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8. Significant agreements: (continued):

(b) In 1998, the Company entered into an 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 $16,400,000 available to offset future taxable income, the benefit of which has not been reflected in these financial statements and which expire approximately as follows:

2001	$ 1,300,000
2002	1,300,000
2003	3,000,000
2004	3,000,000
2005	4,000,000
2006	2,400,000
2007	1,400,000
	$ 16,400,000

10. Comparative figures:

Certain 1999 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2000.

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