Financial Statements of

ENVIRONMENTAL WASTE INTERNATIONAL INC.

Years ended December 31, 2002 and 2001

(Audited – See Notes to Financial Statements)

Wm. Andrew Campbell C.A.
56 Temperance Street, 6th. Floor,
Toronto, Ontario
M5H 3V5

Tel.: (416) 363 -6273
Fax: (416) 363 -9982

Auditors Report to the Shareholders

To the Shareholders of:
ENVIRONMENTAL WASTE INTERNATIONAL INC.

I have audited the consolidated balance sheets of Environmental Waste International Inc. (formerly: E.W.M.C. International Inc). as at December 31, 2002 and 2001 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, 2002 and 2001 and the results of its operations and cash flows for the years then ended in accordance with generally accepted accounting principles.

Chartered Accountant
Toronto, Ontario
May 14, 2003

Environmental Waste. International Inc.
Consolidated Balance Sheets
December 31, 2002 and 2001

	2002	2001
Assets		
Current		
Cash	$ 688,641	$ 241,306
Accounts receivable	234,996	702,630
	923,636	943,936
Other		
Capital assets (note 3)	1,213,342	1,391,112
Equipment held for demonstration or resale	1	1
Patents and technology (Note 4)	500,000	4,173,095
	1,713,343	5,564,208
	$ 2,636,979	$ 6,508,144
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 438,941	$ 363,417
Customer deposits	937,100	337,100
Current portion of long-term debt (note 6)	11,948	845,157
Other loans and advances (Note 5)	510,295	59,000
	1,898,284	1,604,674
Long-Term		
Long-term debt (Note 6)	724,762	-
	2,623,046	1,604,674
Shareholders Equity		
Share Capital (Note 7)	33,605,492	32,949,842
Deficit (Page 4)	(33,591,559)	(28,046,372)
	13,933	4,903,470
	$ 2,636,979	$ 6,508,144

See Commitments and Contingencies (Note 8)

Approved on behalf of the Board of Directors:

(Signed) "Bill Bateman" Director

(Signed) "Stephen Simms" Director

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See accompanying Notes to Consolidated Financial Statements

	2002	2001
Revenue:		
Medical equipment	$ -	$ 100,000
Foreign exchange gains	-	83,812
Interest income	31	12,216
	31	196,028
Operating Expenses:		
Operations, general and administration	1,692,025	2,211,416
Research and development	2,266	16,884
Amortization and depreciation	1,116,030	1,096,950
	2,810,321	3,325,250
(Loss) before the following item:	(2,810,352)	(3,129,222)
Write down of patents and technology	(2,659,587)	-
Write down of obsolete equipment	(75,248)	(95,490)
(Loss) for the year	(5,545,187)	(3,224,712)
Deficit, beginning of year	(28,046,372)	(24,821,660)
Deficit, end of year	$ (33,591,559)	(28,046,372)
Loss per share (note 8)	$ (0.106)	$ (0.060)

See Auditors Report to Shareholders appearing on Page 2
See accompanying notes to Consolidated Financial Statements

Environmental Waste. International Inc.
Consolidated Balance Sheets
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Environmental Waste International Inc.
Consolidated Statements of Changes in Cash Flows
For the year ended December 31, 2002 and 2001

	2002	2001
Cash provided by (used in):		
Operation Activities:		
Loss for the year	$ (5,545,187)	$ (3,224,712)
Add: items not affecting cash:		
Write off of obsolete computer equipment	75,248	95,490
Write down of patents and technology	2,659,587	-
Amortization and depreciation	1,116,030	1,096,959
	(1,694,322)	(2,032,263)
Changes in non-cash operating working capital:		
Accounts receivable	467,634	76,523
Prepaid expenses and deposits	-	175,000
Accounts payable and accrued liabilities	75,524	18,337
Customer deposit	600,000	227,100
Loans from Directors	-	(75,000)
Provided by (Used in) Operating Activities	(551,164)	(1,610,303)
Financing Activities		
Issue of common shares for cash	655,650	1,556,534
Other loans and advances	451,295	-
Long-term debt	(108,447)	845,157
Provided by (Used in) Financing Activities	998,498	2,401,691
Investing Activities		
Addition to capital assets	-	(1,345,260)
Provided by (Used in) Financing Activities	-	(1,345,260)
Increase (decrease) in cash	447,334	(553,872)
Cash, beginning of year	241,306	795,178
Cash, end of year	$ 688,640	$ 241,306

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

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

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.

(h) Stock-based compensation

The Company has adopted section 3870 of the CICA Handbook from the Canadian Institute of Chartered Accountants for stock-based compensation and other stock-based payments with effect for the year ended December 31, 2002. This section requires the Company to provide for either presentation in the statement of operations or on a pro forma earnings basis. This section requires that fair market value based accounting be used to account for stock-based compensation costs rather than the actual option price paid by the beneficiary of the stock option granted. During the year based on these requirements no adjustment is required.

(i) Income taxes

On January 1, 2000, the Company adopted the liability method of accounting for income taxes in accordance with the recommendations of the Canadian Institute of Chartered Accountants. The recommendations have been applied retroactively, with no significant effect on the accounts of prior years. Future income tax relates to the expected consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment or substantive enactment.

(j) Financial instruments

Financial instruments are initially recorded at historical cost. If subsequent circumstances indicate that a decline in the fair value of a financial instrument is other than temporary, the financial asset is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts. The carrying value of all of the Company's financial instruments included in the working capital approximates their fair values since these instruments have short-term maturity dates.

3. Capital assets

2002	Cost	Accumulated Depreciation	Net Book Value
Land	$ 331,125	$ -	$ 331,125
Buildings	993,875	124,188	869.687
Computer equipment	6,800	3,468	3,332
Equipment and furniture			9,19
	13,627	4,429	8
	-	-	-
	$ 1,345,427	$132,085	$1,213,342

2001	Cost	Accumulated Depreciation	Net Book Value
Land	$331,125		$331,125
Building	993,87		
	5	24,800	969,075
Equipment & furniture	435,994	344,202	70,661
	$ 1,760,994	$ 369,002	$ 1,391,992

On September 4, 2001, Company acquired the Land and building located at 283 Station Street, Ajax, Ontario for $1,325,000. The Company paid $300,000 on closing and obtained a three-year vendor take back mortgage for $850,000. During the current year the Company paid an additional lump sum payment of $100,000 reducing the mortgage at that time to $750,000.

4. Patents and technology

	2002	2001
Cost	$ 10,135,106	$ 10,135,106
Less: accumulated amortization	(6,975,522)	(5,962,011)
Less: provision for write-down	(2,659,584)	-
	$ 500,000	$4,173,095

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5. Other loans and advances

On July 1, 2002, the Company secured a one-year loan from Firm Capital netting $181,295 with interest at 12.5% p. a. paid monthly. In April, August and September 2002 the company received additional loans totaling $270,000 with interest at 12% p.a. These loans are open and are interest only with no fixed repayment terms.

6. Long-term debt

	2002	2001
7.5% first mortgage payable in equal annual installments of $ 65,956 including interest to September 15, 2004, secured by land and building	$ 736,709	$ 845,157
Less: current portion	(11,948)	(845,157)
Long Term Portion	$ 724,762	$ -

Principal amounts due in each of the next two years are as follows:

2003	$ 11,948
2004	724,762
	$ 736,709

7. Share Capital

(a) Issued and outstanding

	2002		2001	
	Number	Amount	Number	Amount
Authorized:				
Unlimited number of common shares				
Issued and Outstanding:				
Balance, beginning of year	53,294,210	$ 32,949,842	48,548,910	$ 31,393,308
Issued under Contract Settlement	-	-	210,000	83,800
Issued for cash:				
Private Placements	2,700,000	324,000	3,685,300	1,172,734
Under Employee option agreements	1,216,106	331,650	-	-
Under Option agreements	-	-	850,000	300,000
Balance, end of year	57,210,316	$ 33,605,492	53,294,210	$ 32,949,842

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.

7. Share Capital (continued);

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. All warrants from 2000 have since expired without being exercised.

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

During 2001 the Company issued private placements totaling 2,252,250 units as follows:

- 1,052,250 units entitling the holder to acquire one common share and one/half purchase warrant. Each whole purchase warrant is exercisable into one common share at $0.75 per share which expire July 27, 2003

- 1,200,000 units entitling the holder to acquire one common share at $0.30 per share and one/half purchase warrant. Each whole purchase warrant entitles the holder to acquire one common share at $0.50 per share, which expires on November 2, 2003.

- In addition 1,433,050 purchase warrants were exercised at $0.20 per warrant resulting in proceeds of $286,610.Each warrant entitled the holder to acquire one common share.

During 2002 the Company issued a private placement for 2,700,000 common shares at $0.12 per share and one/half purchase warrant. Each whole purchase warrant entitles the holder to acquire one common share at $0.16 per share, which expires on November 18, 2004.

During 2002, 1,216,106 options were exercised under the option plan for aggregate proceeds of $331,650.

At December 31, 2002 there were 300,000 options outstanding under an agreement with the vendor of the building (see also note 3) to issue common shares as follows:

- 300,000 at $0.41 per share which expired on May 2, 2003

(b) Incentive stock option plan and other options:

The following summarizes a continuity of all options activity during the year:

	Number of Options	Weighted average exercise price
Balance, December 31, 2001	4,442,000	0.52
Granted	4,103,656	0.31
Exercised	(1,216,106)	(0.27)
Expired	(3,659,550)	(0.43)
Balance, December 31, 2002	3,670,000	$ 0.41

At December 31, 2002 3,670,000 incentive stock options were exercisable at prices between $0.15 per share and $0.50 expiring up to June 26, 2007.

8. Contingent Liability

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.

9. 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:

2002	54,700,000
2001	51,900,000

10. Significant agreement

The Company had 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 had 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. During the fiscal year ended December 31, 2001 the Company purchased all rights and interests of CLE. The Company is under no obligation to make further royalty payments to CLE.

11. Income taxes:

The Company's effective income tax rate differs from the amount that would be computed by applying the federal and provincial statutory rate of 43% (2000-43%) to the net loss for the year. The reason for the difference is as follows:

	2001	2000
Income tax recovery based on statutory rate	$(2,513,000)	$ (1,414,000)
Unrecorded tax benefit of losses	2,513,000	1,414,000
	$ -	$ -

The Company and its subsidiaries have losses for income tax purposes of approximately $18,700,000 available to offset future taxable income, the benefit of which has not been reflected in these financial statements and which expire approximately as follows:

2003	$ 3,000,000
2004	3,000,000
2005	4,000,000
2006	2,400,000
2007	1,400,000
2008	2,100,000
2009	2,800,000
	$ 18,700,000

Management's discussion and analysis are not part of the audited statements and have been added here for the readers convenience.

ENVIRONMENTAL WASTE INTERNATIONAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE YEAR ENDING DECEMBER 31, 2002

The following discussion and analysis of the operating results and financial position of the Company for the year ending December 31, 2002 should be read in conjunction with the financial statements enclosed herein for the year ending December 31, 2002.

OVERVIEW

The core business of Environmental Waste International Inc. (EWI) is the development, production and sale of environmentally sound devices utilizing EWI's patented Microwave Process. From 1993 to 1996, EWI concentrated its efforts on the design and development of systems that could break down used tires into byproducts (especially carbon black) in a pure enough form to be reused in new rubber products. From 1997 to early 2002, the company redirected its efforts towards designing and building systems that could treat infected medical waste. This work culminated in the Precision Analysis (a UK government accredited lab) report (released June 2002) on the efficiency of EWI's MD1000 and its environmentally sound manner of sterilizing infected clinical waste.

April 2002 also saw a change in EWI's upper management as well as several changes in the company's focus and approach to marketing and sales. One of these changes was a decision to redirect most of the sales efforts back to the tire processor markets. This decision was based on several factors including public concerns over health issues relating to tire dumps and new European and UK legislation starting in July 2003 banning the dumping of tires at landfill sites. The company's decision to redirect the sales efforts to the tire recycling market was rewarded before the end of 2002 by attracting a U.K. group to buy and operate a TR3000 tire processor. The TR3000 can break down 3000 tires per day (over 1 million tires per year) and gives EWI the opportunity to launch a commercial operation of its tire technology. The purchasers are in the waste industry and presently run a business that works on government contracts to deal with various waste streams. EWI was paid an initial deposit on this sale in late December 2002. The final purchase agreement as well as the balance of the deposit was paid and announced in mid January 2003.

During 2002 an engineering firm under contract to the USDA (United States Department of Agriculture) approached EWI to explore the possibility of designing a processor that could treat liquid biological waste. EWI designed a new unit called the FS6000 and EWI built a small prototype to demonstrate that such a unit could meet performance requirements. The prototype was designed and built in two months and in July 2002 it was successfully tested and witnessed by representatives of the USDA. In February 2003, the USDA awarded EWI a contract to supply the FS6000 unit to the National Plant Germplasm Quarantine Center in Maryland. The construction of the FS6000 unit should be completed by mid 2003 and installed and operating before the end of 2003.

Accounting Policies

Several accounting policies are important to understanding our historical and future performance as well as the areas involving management's judgments and estimates. These critical accounting policies and estimates relate to amortization of capital assets, revenue recognition and value of patents and technology. These relevant policies, and procedures related to these policies, are described in detail in Note 2 of the accompanying financial statements.

Write Down of Patents and Technology

The Company has elected to write down the book value of its patent rights to bring them in line with their estimated present market value. This adjustment does not affect cash. During the past nine years, the company has purchased and expanded its patent rights by issuing shares at various market prices. This has resulted in an asset whose value was established on the price of the stock at the time of its issuance. It is felt that the $500,000 value is a better reflection of the current worth of these assets.

Results of Operations

For the fiscal year ended December 31, 2002, revenues were $31 compared to $196,028 for the year ended December 31, 2001.

In the fiscal year ended December 31, 2002, expenses (prior to write downs) were $2,810,321 compared to $3,325,250 for the fiscal year ended December 31, 2001, representing a reduction of over 15%. The 2002 monthly average for operation and administrative expenses, including payroll, was $141,190 versus a monthly operation and administrative expense for 2001 of $185,691.

As sales efforts continue to progress, the company anticipates an increase in operating expenses, although additional deposits and milestone payments should offset these expenses.

Liquidity and Capital Resources

At December 31, 2002, we had $688,641 in cash versus $241,306 at December 31, 2001. This amount has increased by the additional deposits on the TR3000 sale announced in January 2003. At December 31, 2002, the company carried $234,996 in net receivables, part of which is from the earlier sale in 2000 of an MD1000 to Recycled Waste Ltd, UK. Although this amount is substantially less than the $702,630 in gross receivables as of December 31, 2001, the company can offer no guidance as to RWL's ability to pay such debt.

We believe that the total amount of cash and cash equivalents will be sufficient to meet our cash needs for working capital or other purposes at this time

The Immediate Future

Except for historical information, certain matters discussed in this section are by their nature forward-looking and are subject to many risks and uncertainties, which may cause actual results to differ materially from the statements made. These include, but are not limited to, changing market and industry conditions, the establishment of new corporate alliances, the impact of competitive products and their pricing, timely development of existing and new products, the difficulty of predicting regulatory approval and market acceptance for the Company's products, availability of capital or other funding, the ability to retain and recruit qualified personnel, and other risks, known or unknown.

EWI continues to pursue sales in several other markets, including North and South America, Europe, the Middle East and several Pacific Rim countries. Recent world events, namely health related (SARS, West Nile Virus) and war related (biological threats), have dramatically increased the interest in both our medical and tire technologies. EWI recognizes the importance of moving forward to take advantage of these opportunities, but we also understand that we cannot grow too fast without risking the financial stability and future strength of the company. We plan to continue growing the company at a pace that will allow us to meet our obligations without over taxing our resources.

Our past has helped to build a company ready to move forward. We know that we have a product that is needed throughout the world. We hope to build a truly international company with global appeal. 2003 has started off with two major contract announcements. EWI must now prove to potential clients as well as the market and outside investors that we can deliver these products. We believe we are up to that challenge.

On behalf of the Board of Directors
"Stephen Simms"
President