

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Restated Consolidated Audited Financial Statements
Year Ended December 31, 2003



HARVEY CANTOR
Professional Corporation

ENVIRONMENTAL WASTE INTERNATIONAL INC.
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Year Ended December 31, 2003

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AUDITOR'S REPORT

To the Shareholders of Environmental Waste International Inc.

I have audited the accompanying restated consolidated balance sheet of Environmental Waste International Inc. as at December 31, 2003 and the restated consolidated statements of loss, deficit and cash flow for the year then ended. These restated consolidated financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these restated consolidated financial statements based on my audit.

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

In my opinion, these restated consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

As described in note 3, the consolidated financial statements have been restated for 2002 and 2003.

The consolidated financial statements prior to restatements as at December 31, 2003 and 2002 and for the years then ended were audited by another auditor, who expressed opinions thereon without reservations dated April 12, 2004 and May 14, 2003 respectively. I have audited the adjustments to the 2002 financial statements. In my opinion those adjustments are appropriate and have been properly applied.

Toronto, Canada
March 17, 2005

Chartered Accountant

ENVIRONMENTAL WASTE INTERNATIONAL INC.

Restated Consolidated Balance Sheet

December 31, 2003

	2003 <i>restated (note 3)</i>	2002 <i>restated (note 3)</i>
ASSETS		
CURRENT		
Cash	\$ 226,866	\$ 688,641
Accounts receivable	24,247	235,000
Prepaid expenses	21,531	-
	<u>272,644</u>	923,641
PROPERTY, PLANT AND EQUIPMENT (Note 4)	1,206,191	1,213,341
INTANGIBLE ASSETS (Net of accumulated amortization)	450,000	500,000
	<u>\$ 1,928,835</u>	<u>\$ 2,636,982</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable and accrued liabilities	\$ 280,280	\$ 492,934
Deposits	1,428,725	937,100
Loans payable (Note 6)	555,000	451,295
Current portion of long term debt (Note 7)	6,899	11,948
Due to director (Note 8)	81,500	134,000
	<u>2,352,404</u>	2,027,277
MORTGAGES PAYABLE (Note 7)	717,864	739,763
	<u>3,070,268</u>	2,767,040
Shareholders' Equity		
Share capital (Note 9)	33,980,012	33,605,492
Contributed surplus (Note 9)	466,962	-
Deficit	<u>(35,588,407)</u>	<u>(33,735,550)</u>
	<u>(1,141,433)</u>	<u>(130,058)</u>
	<u>\$ 1,928,835</u>	<u>\$ 2,636,982</u>

ON BEHALF OF THE BOARD

"Emanuel Gerard" Director

"Stephen Simms" Director



HARVEY CANTOR
Professional Corporation

ENVIRONMENTAL WASTE INTERNATIONAL INC.**Restated Consolidated Statement of Loss****Year Ended December 31, 2003**

	2003 <i>restated (note 3)</i>	2002 <i>restated (note 3)</i>
REVENUE	\$ 764,779	\$ -
EXPENSES		
Manufacturing and development expenses	433,672	171,834
Salaries, wages & benefits, consulting	1,056,518	967,658
Operations, general and administration	410,972	613,507
Mortgage interest and financing costs	113,239	85,316
Amortization of capital assets	99,353	1,116,030
	2,113,754	2,954,345
Loss before the undernoted	(1,348,975)	(2,954,345)
Stock based compensation expense (note 9)	503,882	-
LOSS FROM OPERATIONS	(1,852,857)	(2,954,345)
Write down of obsolete equipment	-	(75,248)
Write-down of patents and technology	-	(2,659,585)
	-	(2,734,833)
NET LOSS	\$ (1,852,857)	\$ (5,689,178)
Loss per share	\$ (0.0320)	\$ (0.1040)



ENVIRONMENTAL WASTE INTERNATIONAL INC.

Restated Consolidated Statement of Deficit

Year Ended December 31, 2003

	2003 <i>restated (note 3)</i>	2002 <i>restated (note 3)</i>
DEFICIT - BEGINNING OF YEAR		
As previously reported	\$ (33,591,550)	\$ (28,046,372)
Correction of prior periods	(144,000)	-
As restated	(33,735,550)	(28,046,372)
Net loss for the year	(1,852,857)	(5,689,178)
DEFICIT - END OF YEAR	<u>\$ (35,588,407)</u>	<u>\$ (33,735,550)</u>



ENVIRONMENTAL WASTE INTERNATIONAL INC.

Restated Consolidated Statement of Cash Flow

Year Ended December 31, 2003

	2003 <i>restated (note 3)</i>	2002 <i>restated (note 3)</i>
OPERATING ACTIVITIES		
Net loss	\$ (1,852,857)	\$ (5,689,178)
Items not affecting cash:		
Amortization	99,353	1,116,030
Stock based compensation expense	503,882	-
Write down of obsolete equipment	-	75,248
Write-down of patents and technology	-	2,659,585
	<u>(1,249,622)</u>	<u>(1,838,315)</u>
Changes in non-cash working capital:		
Accounts receivable	210,754	467,634
Accounts payable and accrued liabilities	(212,663)	219,518
Prepaid expenses	(21,531)	-
Deposits	491,633	600,000
	<u>468,193</u>	<u>1,287,152</u>
Cash flow used by operating activities	<u>(781,429)</u>	<u>(551,163)</u>
INVESTING ACTIVITY		
Purchase of equipment	<u>(42,203)</u>	-
Cash flow used by investing activity	<u>(42,203)</u>	-
FINANCING ACTIVITIES		
Repayment of loan to director	(52,500)	-
Proceeds from loans	380,000	451,295
Repayment of loans	(276,295)	-
Repayment of long term debt	(26,948)	(108,447)
Issuance of common shares	337,600	655,650
Cash flow from financing activities	<u>361,857</u>	<u>998,498</u>
INCREASE (DECREASE) IN CASH FLOW	(461,775)	447,335
Cash - beginning of year	<u>688,641</u>	<u>241,306</u>
CASH - END OF YEAR	\$ 226,866	\$ 688,641
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 113,239</u>	<u>\$ 85,316</u>



ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

1. GOING CONCERN

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Recurring sources of revenue have not yet proven to be sufficient. The Company needs to obtain additional financing to enable it to continue its business. In the absence of additional financing, the Company may not have sufficient funds to meet its obligations. Management continues to monitor the cash needs and consider various alternatives to raise additional financing. However, there is no assurance that this will be successful.

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

2. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's business is the design, development and sale of environmentally sound devices utilizing Environmental Waste International's patented Microwave Process and dealing with environmental waste disposal, including the development, advancing, licensing and sale of its technology and related machines throughout the world.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Environmental Waste Management Corporation "EWMC" and Jaguar Carbon Sales Limited. The activities of the subsidiaries are currently immaterial.

Revenue recognition

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

Other revenue is recognized at the time ownership transfers or services are rendered to the customer.

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

(continues)

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

2. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized over their estimated useful lives at the following rates and methods:

Buildings	5%	declining balance method
Equipment	30%	declining balance method

The Company regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Basic and diluted loss per share

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

Technology rights

Technology rights are recorded at estimated value and amortized equally over a 10 year period commencing January 2003, the estimated useful life of these rights.

Research and development costs

Research costs are expensed as incurred. Development costs that meet the criteria for deferral under Canadian generally accepted accounting principles and that are expected to provide future benefits with reasonable certainty are deferred and amortized over the sales revenue of the products. In the opinion of management, no such costs incurred in the year met the criteria for deferral.

Investment tax credits

ITCs and other incentives relating to the acquisition of capital assets, including capital assets acquired for research and development, are deducted from the cost of the assets. ITCs and other incentives relating to current research and development expenditures are disclosed as government assistance on the statement of earnings. The Company recognizes ITCs and other incentives only when there is reasonable assurance of their acceptance by the authorities.

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

2. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Foreign currency translation

Current monetary assets and liabilities of the Corporation that are denominated in foreign currencies are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at rates of exchange prevailing on the transaction date. Any resulting exchange gains and losses are included in the determination of earnings.

Measurement uncertainty

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

Stock based compensation

As disclosed in note 9, the Company has adopted the fair value method of accounting for employee stock options with retro-active effect to January 1, 2003. Pursuant to new rules related to accounting for stock based compensation, the Company chose to record compensation expense for all employee stock options granted on or after January 1, 2003 with a corresponding increase to contributed surplus. Compensation expense for options granted in 2003 is determined based on the estimated fair value's at the time of the grant, the cost of which is recognized over the vesting period of the respective options. Prior to January 1, 2003, the Company accounted for its employee stock options using the settlement method and no compensation expense was recognized.

Future income taxes

The Company provides for future income taxes which reflect the tax effects of revenue and expense items reported for tax purposes in periods different than for accounting purposes. Future tax recoveries applicable to losses carried forward are recognized only when the Company's management consider the realization to be more likely than not.

Director/Officer indemnification

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

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

3. RESTATEMENTS

Management determined that certain expenditures incurred by the Company had not been reflected within the financial statements in the year in which the underlying transaction occurred. The CICA handbook requires that a correction of an error in prior period financial statements be accounted for retroactively and that the financial statements for all prior periods presented for comparative purposes be restated as necessary. The Company has restated the 2003 and 2002 and prior periods in accordance with these requirements. The effect of the changes in the current year is an increase in the previously reported loss by \$400,631. The adjustment to years prior to 2002 was an increase in the losses previously reported of \$144,000. Below is a comparative summary of the previously issued financial statements and the restated financial statements

	2003 \$	2003 \$	2002 \$	2002 \$
	Restated	Originally Reported	Restated	Originally Reported
ASSETS				
CURRENT				
Cash	226,866	221,787	688,641	688,641
Accounts receivable	24,247	170,575	235,000	234,995
Prepaid expenses	21,531	-	-	-
	272,644	392,362	923,641	923,636
PROPERTY, PLANT AND EQUIPMENT	1,206,191	1,165,631	1,213,341	1,213,343
INTANGIBLE ASSETS	450,000	500,000	500,000	500,000
	1,928,835	2,057,993	2,636,982	2,636,979
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Accounts payable and accrued liabilities	280,280	444,451	492,934	438,941
Deposits	1,428,725	1,434,472	937,100	937,100
Loans payable	555,000	555,000	451,295	451,295
Current portion of long term debt	6,899	724,763	11,948	11,948
Due to director	81,500	-	134,000	59,000
	2,352,404	3,158,686	2,027,277	1,898,284
MORTGAGES PAYABLE	717,864	-	739,763	724,762
	3,070,268	3,158,686	2,767,040	2,623,046
SHAREHOLDERS' DEFICIENCY				
Share capital	33,980,012	33,943,092	33,605,492	33,605,492
Contributed surplus	466,962	-	-	-
Deficit	-35,588,407	-35,043,785	-33,735,550	-33,591,559
	-1,141,433	-1,100,693	-130,058	13,933
	1,928,835	2,057,993	2,636,982	2,636,979

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

RESTATEMENTS *(continued)*

	2003 \$	2003 \$	2002 \$	2002 \$
	Restated	Originally Reported	Restated	Originally Reported
REVENUE	764,779	753,960	-	-
EXPENSES				
Manufacturing and development expenses	433,672	384,655	171,834	91,865
Salaries, wages & benefits, consulting	1,560,400	892,150	967,658	985,158
Operations, general and administration	410,972	695,673	613,507	474,484
Mortgage interest and financing costs	113,239	125,795	85,316	142,816
Amortization of capital assets	99,353	107,913	1,116,030	1,116,029
	2,617,636	2,206,186	2,954,345	2,810,352
LOSS FROM OPERATIONS	-1,852,857	-1,452,226	-2,954,345	-2,810,352
Write-down of obsolete equipment	-	-	-75,248	-75,248
Write-down of patents and technology	-	-	-2,659,585	-2,659,587
	-	-	-2,734,833	-2,734,835
NET LOSS	-1,852,857	-1,452,226	-5,689,178	-5,545,187
Cumulative deficit beginning of year	-33,735,550	-33,591,559	-28,046,372	-28,046,372
Cumulative deficit end of year	-35,588,407	-35,043,785	-33,735,550	-33,591,559
Loss per share	-0.0320	-0.025	-0.104	-0.106
Weighted average number of shares	57,950,000	57,800,000	54,700,000	54,700,000

Below is a summary of the 2003 adjustments reflected in the statement of loss:

Cancellation of unpaid 2000 and 2001 management fees	\$275,490
Net of previously under and over accrued expenditures	-79,428
Provision against a receivable for GST input credits	-174,974
Amortization of technology rights previously not recorded	-50,000
Reduction in amortization of the building	59,813
Reclassification of expenses as a reduction of debt	52,500
Recognition of stock compensation expense	-503,882
Miscellaneous other adjustments decreasing the net loss	19,850
Increase of previously reported loss	<u>-\$400,631</u>

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2003 Net carrying value	2002 Net carrying value
Land	\$ 331,125	\$ -	\$ 331,125	\$ 331,125
Buildings	1,036,078	169,782	866,296	869,687
Equipment	20,426	11,656	8,770	12,529
	<u>\$ 1,387,629</u>	<u>\$ 181,438</u>	<u>\$ 1,206,191</u>	<u>\$ 1,213,341</u>

During 2003, the rate of amortization for buildings was changed from 10% straight line to 5% declining balance. No change was made to prior years.

5. TECHNOLOGY RIGHTS

Original cost	\$ 10,135,106
Accumulated amortization	(6,975,522)
Provision for write-down in 2002	(2,659,584)
Balance, December 31, 2002	500,000
Amortization 2003 (note 3)	(50,000)
Unamortized balance	<u>\$ 450,000</u>

6. LOANS PAYABLE

	2003	2002
Loan from a relative of the president of the Company bearing interest at 12% per annum convertible for common shares at the rate of \$0.35 per share. Interest payable monthly.	\$ 315,000	\$ 250,000
Loan bearing interest at 12% per annum. \$140,000 is convertible for common shares at the rate of \$0.35 per share. Interest payable monthly. The loan matured in September 2004. During 2004 the non convertible portion was refinanced (note12).	240,000	-
Loan bearing interest at 12% per annum. Interest payable monthly. The loan matured on November 17, 2003.	-	35,000
Due in one year	<u>\$ 555,000</u>	<u>\$ 285,000</u>

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

6. LOANS PAYABLE *(continued)*

During 2004, the convertible loans were exchanged for common shares.

As disclosed above, the Company has issued convertible loans payable of \$455,000 during the year. The CICA handbook requires the recognition of any equity component. As the value of the stream of payments required to satisfy the debt is equal to the Company's normal estimated interest cost, there is no estimated value to the right of conversion and no amount has been included in the shareholders' equity as an equity component of convertible debt.

7. MORTGAGE PAYABLE

	<u>2003</u>	<u>2002</u>
Mortgage bearing interest at 7.5% per annum, repayable in monthly blended payments of \$5,496. The loan matures on September 15, 2004 and is secured by all assets of the Company.	\$ 724,763	\$ 751,711
Amounts payable within one year	<u>(6,899)</u>	<u>(11,948)</u>
	<u>\$ 717,864</u>	<u>\$ 739,763</u>

Subsequent to the year end, the Company refinanced the mortgage with a new mortgage bearing interest only at 8.5% for the amount of \$850,000 due October 31, 2007. No amount other than principal payments made have been included in amounts due within one year.

8. DUE TO DIRECTOR

	<u>2003</u>	<u>2002</u>
	<u>\$ 81,500</u>	<u>\$ 134,000</u>

The amounts due to the director are non-interest bearing and have no set repayment terms.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

9. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. The following details the changes in the issued shares for the years ended December 31, 2003 and 2002:

	2003		2002	
	#	\$	#	\$
Issued and Outstanding:				
Balance, beginning of year	57,210,316	\$ 33,605,492	53,294,210	\$ 32,949,842
Issued for cash:				
Private placements	50,000	8,000	2,700,000	324,000
Employee stock options	1,385,000	329,600	1,216,106	331,650
Stock-based compensation related to exercise of options	-	36,920	-	-
Balance, end of year	58,645,316	\$ 33,980,012	57,210,316	\$ 33,605,492

During 2002 the Company issued a private placement for 2,700,000 units consisting of one common share at \$0.12 per share and one half of a warrant. Each warrant entitles the holder to acquire one additional common share at \$0.16 per share on or before November 18, 2004. 50,000 warrants were exercised in 2003. The remaining 1,300,000 warrants were exercised in 2004.

LOSS PER SHARE

The weighted average number of shares outstanding was 57,950,000 (2002 - 54,700,000). As the effect on any exercise of options or warrants would be anti-dilutive, there is no disclosure in these financial statements of a diluted loss per share.

ENVIRONMENTAL WASTE INTERNATIONAL INC.

Notes to Restated Consolidated Financial Statements

Year Ended December 31, 2003

STOCK BASED COMPENSATION PLAN

The Company maintains a Stock Option Plan for designated officers, directors, consultants and employees. Under the plan the term shall not exceed 5 years and shall be exercisable at a price not lower than the closing market price of the common share on the day immediately preceding the grant of the options.

The weighted average fair value of the options granted for the year was \$0.217.

Stock option activity for 2003 and 2002 is presented below:

	#	Weighted Average Exercise Price 2003	#	Weighted Average Exercise Price 2002
Balance, beginning of year	3,670,000	\$ 0.29	4,442,000	\$ 0.53
Granted	2,317,500	0.43	4,103,656	0.25
Expired	(453,000)	(0.38)	(3,659,550)	(0.55)
Exercised	(1,385,000)	(0.24)	(1,216,106)	(0.26)
Outstanding and exercisable at end of year	4,149,500	\$ 0.38	3,670,000	\$ 0.29

The following table summarizes information concerning outstanding exercisable options expiring up to June 25, 2008.

Range of Prices	#	Weighted Average Remaining Life in Years	Weighted Average Exercise Price
0.15 - 0.29	1,200,000	2.35	0.23
0.30 - 0.44	1,999,500	2.67	0.36
0.60 - 0.74	950,000	2.00	0.60
	4,149,500	2.43	0.38

The Company has adopted CICA 3870 "Stock Based Compensation and Other Stock Based Payments" which requires that all stock based awards granted must be accounted for at fair value. The transitional rules encourage, but do not require, the use of this method prior to 2004. However, the Company has adopted this method retroactive to January 1, 2003 and has disclosed the cost of employee stock options using the fair value method. As a result of this adoption the Company has recognized a compensation expense of \$503,882 using the Black Scholes method with estimated volatility at 150% and an average risk free interest rate of 3.22%.

CONTRIBUTED SURPLUS

Balance, beginning of year	\$ -
Stock based compensation charge to earnings	503,882
Stock based compensation related to options exercised	(36,920)
Balance, end of year	\$ 466,962

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

10. ECONOMIC DEPENDENCE

Revenue from one contract represents 80% of total sales during the year.

11. NON-CAPITAL TAX LOSSES CARRIED FORWARD

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

2004	\$ 3,000,000
2005	4,000,000
2006	2,400,000
2007	1,400,000
2008	2,100,000
Thereafter	4,300,000
	<u>\$ 17,200,000</u>

12. CONTINGENT LIABILITIES

In 2000, a former officer commenced a wrongful dismissal action against the Company for \$1,000,000 plus costs. In 2001, the former officer commenced a second claim against the Company relating to unpaid loans. The Company denies liability in either action, and has made no provision in the financial statements.

Subsequent to the year end, three of the Company's suppliers commenced actions against the Company relating to unpaid amounts under contracts for components and services totalling approximately \$281,000. In the first action, the supplier contends that the Company contracted them to build 3 components. The Company disputes this on the basis that the components were never built or delivered. In the second action, the Company is counter suing for a greater amount as the product was defective. In the third action, the Company denies any liability as the services to be provided were never completed. As the outcome of these claims are not determinable no provision has been made within these financial statements.

The Ontario Ministry of Finance has registered a lien against all assets of the Company relating to unpaid capital taxes. On March 3, 2005 the Ministry discharged the lien.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Restated Consolidated Financial Statements
Year Ended December 31, 2003

13. SUBSEQUENT EVENTS

During 2004, the Company raised \$430,000 from three investors, two of the whom are directors of the Company and the other is a relative of president of the Company. The new loans are for a 12 month term, bear interest at 12% per annum and are convertible to common shares at the value of \$0.50 per share.

Subsequent to the year end, customer deposits of approximately \$1,423,000 became non-refundable. These amounts will be recognized as income in the 2004 fiscal year. The Company anticipates minimal additional related expenditures.

During 2004 the Company amended its 2002 and 2003 income returns to claim Scientific Research and Experimental Development credits. In early 2005, approximately \$730,000 was approved for refund.
