

ENVIRONMENTAL WASTE INTERNATIONAL INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2006

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Unaudited Interim Financial Statements
For The Nine Month Period Ended September 30, 2006

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Unaudited Interim Financial Statements
For The Nine Month Period Ended September 30, 2006

Responsibility for consolidated unaudited interim financial statements

The accompanying financial statements for Environmental Waste International Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2005 audited financial statements.

Auditor involvement

The auditor of Environmental Waste International Inc. has not performed a review of these unaudited interim financial statements.

Ajax, Ontario
November 22, 2006

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Balance Sheet
As At September 30, 2006 and December 31, 2005

	As at September 30 2006 (Unaudited)	As at December 31 2005 (Audited)
ASSETS		
CURRENT		
Cash	\$ 132,453	\$ 232,090
Accounts receivable		4,951
Prepaid expenses	23,684	35,464
Government assistance receivable		67,123
	<u>156,137</u>	<u>339,628</u>
PROPERTY, PLANT AND EQUIPMENT (Note 3)	1,088,785	1,119,598
TECHNOLOGY RIGHTS (Note 4)	312,500	350,000
DEFERRED CHARGES	6,319	10,694
	<u>\$ 1,563,741</u>	<u>\$ 1,819,920</u>
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT		
Accounts payable and accrued liabilities	\$ 228,631	\$ 215,504
Loans payable (Note 5)	100,000	48,100
	<u>328,631</u>	<u>263,604</u>
MORTGAGES PAYABLE (Note 6)	1,128,000	1,128,000
LOANS PAYABLE (Note 5)	367,000	367,000
	<u>1,823,631</u>	<u>1,758,604</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	35,625,408	35,145,408
Contributed surplus (Note 7)	1,440,789	1,178,558
Convertible debt (Note 5, 6)	335,000	335,000
Deficit	<u>(37,661,087)</u>	<u>(36,597,650)</u>
	<u>(259,890)</u>	<u>61,316</u>
	<u>\$ 1,563,741</u>	<u>\$ 1,819,920</u>

ON BEHALF OF THE BOARD

_____, "William Bateman", Director

_____, "Stephen Simms", Director

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Operations
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

	Three months ended September 30		Nine months ended September 30	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
REVENUE				
Sales	\$ 28,337	\$287,078	\$ 244,750	\$382,053
Other	199,185		10,744	-
	227,522	\$287,078	255,494	\$382,053
EXPENSES				
Manufacturing expenses	1,815	72,709	2,180	98,708
Research & development	99,668	133,610	407,474	323,859
Salaries, wages & benefits	20,550	106,395	95,730	353,702
Litigation settlement costs	37,735		37,735	
Stock compensation expense	33,176	5,750	262,231	5,750
Operations, general and administration	86,448	42,553	297,841	274,517
Foreign exchange	(155)	(855)	(3,930)	6,637
Interest on long term debt	51,471	19,646	151,357	60,864
Interest on short term debt		18,936		50,736
Amortization of property, equip. & technology rights	22,771	23,499	68,313	70,496
	353,479	422,243	1,318,931	1,245,269
NET INCOME (LOSS)	\$ (125,957)	\$ (135,165)	\$ (1,063,437)	\$ (863,216)
Income (loss) per share	\$ (0.002)	\$ (0.002)	\$ (0.016)	\$ (0.014)
Weighted average number of common shares outstanding	66,053,649	63,308,324	66,053,649	63,308,324

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Deficit
For The Nine Month Periods Ended September 30, 2006 and 2005

	Nine months ended	
	September 30	September 30
	2006	2005
	(Unaudited)	(Unaudited)
DEFICIT - BEGINNING OF PERIOD	\$ (36,597,650)	\$ (35,186,271)
Net income (Loss) for the period	<u>(1,063,437)</u>	<u>(863,216)</u>
DEFICIT - END OF PERIOD	<u><u>\$ (37,661,087)</u></u>	<u><u>\$ (36,049,487)</u></u>

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Cash Flows
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

	Three months ended September 30		Nine months ended September 30	
	2006 (Unaudited)	2005 (Unaudited)	2006 (Unaudited)	2005 (Unaudited)
OPERATING ACTIVITIES				
Net (loss)	\$ (125,957)	\$ (135,165)	\$ (1,063,437)	\$ (863,216)
Items not involving cash:				
Amortization of property, plant and equipment & technology rights	22,771	23,499	68,313	70,496
Stock based compensation expense	33,176	5,750	262,231	5,750
Amortization of deferred charges	1,458	1,583	4,374	4,750
	<u>(68,552)</u>	<u>(104,333)</u>	<u>(728,519)</u>	<u>(782,220)</u>
Changes in non-cash working capital:				
Accounts receivable	0	(127,009)	4,951	(134,496)
Accounts payable & accrued	38,770	27,346	13,128	39,186
Prepaid expenses	(12,178)	(15,308)	11,780	18,132
Deferred revenue	0	(5,794)	0	98,499
Government assistance	0	8,773	67,123	563,559
	<u>26,592</u>	<u>(111,992)</u>	<u>96,982</u>	<u>584,880</u>
Cash flow used by operating activities	<u>(41,960)</u>	<u>(216,325)</u>	<u>(631,537)</u>	<u>(197,340)</u>
INVESTING ACTIVITIES				
Increase (decrease) in capital items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FINANCING ACTIVITIES				
Proceed from:				
long term financing	74,554	450,000	100,000	450,000
short term financing		49,000	(48,100)	42,805
Issuance of shares			480,000	
Provided by financing activities	<u>74,554</u>	<u>499,000</u>	<u>531,900</u>	<u>492,805</u>
CASH INCREASE (DECREASE)	32,594	282,675	(99,637)	295,465
Cash - beginning of period	<u>99,859</u>	<u>262,964</u>	<u>232,090</u>	<u>250,174</u>
CASH - END OF PERIOD	\$ 132,453	\$ 545,639	\$ 132,453	\$ 545,639

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

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, EWMC Environmental Waste Management Corporation and Jaguar Carbon Sales Limited. All inter-company transactions and balances have been eliminated on consolidation. The activities of the subsidiaries are currently immaterial.

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.

Capital Assets

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

Building	5%	declining balance method
Equipment	30%	declining balance method

The Company regularly reviews its land, building, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction to the cost of the related assets.

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

2 DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Technology rights

Technology represents the cost of acquired technology. The technology rights valuation is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. In 2002, the Company incurred a charge of \$2,659,587 representing recognition of impairment. Commencing January 1, 2003, the remaining unamortized technology rights balance is being amortized equally over a 10-year period, the estimated useful life of these rights.

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.

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.

Certain contracts require the customer to provide deposits. Deposits are recognized as revenue if certain contractual obligations on the part of the customer are not met.

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.

Stock based compensation

The Company adopted the fair value method (using the Black-Scholes option pricing model) of accounting for employee stock options effective January 1, 2003. The Company records compensation expense for all vested stock options granted on or after January 1, 2003 with a corresponding increase to contributed surplus. Compensation expense for options has been determined based on the estimated fair value at the time of the grant, the cost of which is recognized over the vesting period of the respective options.

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ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

2 DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

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.

Investment tax credits "ITCs"

ITCs and other governmental 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 when earned and when there is reasonable assurance of realization.

Research and development costs.

Research costs are expensed as incurred. Development costs that meet the criteria for deferral under Canadian generally accepted accounting principles for products that are expected to provide future benefits with reasonable certainty are deferred and amortized over the anticipated periods of sales revenue of the products.

3 CAPITAL ASSETS

	Cost	Accumulated Amortization	September 30 2006 <u>Net carrying value</u>	December 31 2005 <u>Net carrying value</u>
<i>Land</i>	\$ 331,125	\$ -	\$ 331,125	\$ 331,125
<i>Building</i>	1,036,078	283,565	752,513	781,832
<i>Equipment</i>	25,209	20,062	5,147	6,641
	<u>\$ 1,392,412</u>	<u>\$ 303,627</u>	<u>\$ 1,088,785</u>	<u>\$ 1,119,598</u>

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

4 TECHNOLOGY RIGHTS

	<u>September 30, 2006</u>	<u>December 31, 2005</u>
2002 Value	\$ 500,000	\$ 500,000
Accumulated amortization	<u>(187,500)</u>	<u>(150,000)</u>
	<u>\$ 312,500</u>	<u>\$ 350,000</u>

5 LOANS PAYABLE

All loans bear monthly interest at the rate of 12%. Interest payable monthly.

	<u>September 30, 2006</u>	<u>December 31, 2005</u>
Loan from a relative of the president of the Company convertible for common shares at the rate of \$0.25 per share and matures on November 1, 2007	\$ 186,000	\$ 186,000
Loan from a relative of a director. The original maturity date was December 8, 2005. The maturity date has been extended to November 1, 2007.	100,000	100,000
Loans from directors convertible to common shares at the rate of \$0.25 per share, maturing on November 12, 2007.	81,000	81,000
Loans from directors and are due on demand	100,000	0
Loan from director and is due on demand.	-	48,100
	<u>467,000</u>	<u>415,100</u>
Principal due in one year	<u>(100,000)</u>	<u>(48,100)</u>
Principal due in 2007	<u>\$ 367,000</u>	<u>\$ 367,000</u>

For accounting purposes, the convertible loans contain both a liability component and an equity component being the holder's conversion right, which have been separately presented on the consolidated balance sheets. The Company has allocated the \$430,000 face value of the convertible loans issued October 23, 2005, to the liability and equity components, proportionately, based on their respective fair values. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 20% for a debt instrument of comparable maturity and credit quality but excluding any conversion privilege by the holder. The fair value of the convertible right was measured using the Black-Scholes option pricing model, and was based on a risk free annual interest rate of 3.68%, an expected life of approximately 2 years, an expected volatility of 136% and a dividend yield rate of nil. As a result, the Company has allocated \$267,000 of the gross proceeds received to debt and \$163,000 to equity. Interest is normally recognized by proportioning the liability component to the face value over the term of the convertible loans based on an annual interest rate of 12%. As the interest incurred in the year is not material no allocation to equity has been recorded.

Interest paid on loans to related parties for the three months ending September 30, 2006 totaled \$8,700 compare to \$5,400 for the same period in 2005.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

6 MORTGAGE PAYABLE

Both mortgages bear monthly payments of interest only until maturity.

	<u>September 30, 2006</u>	<u>December 31, 2005</u>
First mortgage bearing effective interest at 8.5% due on October 31, 2007.	\$ 850,000	\$ 850,000
Second mortgage bearing interest at 12% , convertible to common shares at the rate of \$0.225 per share maturing on November 1, 2007. Liability component only.	<u>278,000</u>	<u>278,000</u>
	<u>1,128,000</u>	<u>1,128,000</u>
Principal payable within one year	-	-
Amount due in 2007	<u>\$ 1,128,000</u>	<u>\$ 1,128,000</u>

For accounting purposes, the second mortgage contains both a liability component and an equity component being the holder's conversion right, which has been separately presented on the consolidated balance sheets. The Company has allocated the \$450,000 face value of this mortgage, to the liability and equity components, proportionately, based on their respective fair values. The fair value of the liability component was determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rate of 20% for a debt instrument of comparable maturity and credit quality but excluding any conversion privilege by the holder. The fair value of the convertible right was measured using the Black-Scholes option pricing model, and was based on a risk free annual interest rate of 3.68%, an expected life of approximately 2 years, an expected volatility of 136% and a dividend yield rate of nil. As a result, the Company has allocated \$278,000 of the gross proceeds received to debt and \$172,000 to equity. Interest is normally recognized by proportioning the liability component to the face value over the term of the mortgage based on an annual interest rate of 12%.

As the interest incurred in the year is not material no allocation to equity has been recorded.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

7 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 periods ended September 30, 2006 and December 31, 2005:

	September 30, 2006		December 31, 2005	
	Number	\$	Number	\$
Issued and Outstanding:				
Balance, beginning of period	62,720,316	\$ 35,145,408	62,720,316	\$ 35,145,408
Issued for Cash:				
Private placements	4,000,000	480,000		
Employee stock options				
Debt conversion				
Stock based compensation related to exercise of options				
Balance, end of period	66,720,316	\$ 35,625,408	62,720,316	\$ 35,145,408

During the period ended September 30, 2006 the Company completed a private placement for 4,000,000 units. Each unit consists of one common share at \$0.12 and one half of a share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one additional share at \$0.16 for a period of two years from the date of issue.

Unrelated to the previous paragraph, the company has placed a stop trade order on 1,000,000 of the issued and outstanding shares.

LOSS PER SHARE

As the effect of any exercise of options or warrants would be anti-dilutive, there is no disclosure in these financial statements of a dilutive loss per share.

STOCK BASED COMPENSATION PLAN

The Company maintains a Stock Option Plan for designated officers, directors, consultants and employees. Under the plan the option term shall not exceed 5 years and each option 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 . All options issued to date vest immediately.

The weighted average fair value of the options granted for the periods ended September 30, 2006 and December 31, 2005 was \$0.127

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

7 SHARE CAPITAL (continued)

Stock option activity for the 9 months September 30, 2006 and year ended December 31, 2005 is presented below:

	Weighted average exercise price 9month September 30, 2006		Weighted average exercise price year-ended 2005	
	#	\$	#	\$
Balance, beginning of year	4,269,000	0.30	4,994,000	0.39
Granted	2,045,000	0.11	1,775,000	0.22
Cancelled and expired	(225,000)	(0.30)	(2,500,000)	(0.44)
Exercised				
Outstanding at end of period	6,089,000	0.26	4,269,000	0.30

The following table summarizes information about the outstanding exercisable options expiring up to June 22, 2009.

Range of Prices	#	Weighted Average Remaining Life in Years	Weighted Average Exercise Price
Less than .25	3,070,000	3.69	0.15
0.25 - 0.30	1,344,000	0.66	0.26
0.35-.39	1,675,000	1.98	0.38
	6,089,000	2.55	0.23

As a result of the adoption of the new rules relating to the accounting of stock based compensation the Company has recognized a compensation expense of \$262,231 for the 9 months ended September 30, 2006 and \$226,502 in the year ended December 31, 2005 using the Black Scholes method with estimated volatility at 137% (2005 – 137%) and an average risk free interest rate of 3.70% (2005 – 3.70%).

CONTRIBUTED SURPLUS

	September 30, 2006	December 31, 2005
Balance, beginning of period	\$ 1,178,558	\$ 952,056
Stock based compensation charge to earnings	262,231	226,502
Stock based compensation related to options exercised	-	
Balance, end of period	\$ 1,440,789	\$ 1,178,558

8 NON-CAPITAL TAX LOSSES CARRIED FORWARD

The Company has incurred losses for income 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 estimated losses and expiry dates are as follows:

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Three & Nine Month Periods Ended September 30, 2006 and 2005

8 NON-CAPITAL TAX LOSSES CARRIED FORWARD (continued)

2006	\$ 300,000
2007	2,200,000
2008	2,100,000
2009	8,300,000
Thereafter	<u>2,000,000</u>
	<u>\$ 14,900,000</u>

9 GOVERNMENT ASSISTANCE

In February 2005 the Company was reassessed in respect of 2002 to allow the Company's claim for Federal Scientific Research and Experimental Development "SR&ED" Investment Tax Credits, "ITCs" in respect of its 2002 development work. During March 2005, the Federal Taxation Authorities reduced their remittance by approximately \$110,000 in respect of penalties and interest related to Employee Source Deduction remittances in respect of 1999 and prior years of an inactive consolidated subsidiary company. The Company believed that it had no liability for these amounts, and if there would have been any liability, it had been extinguishable as Federal Taxation Authorities had not pursued the Company for more than two years.

On August 28, 2006 the Company recovered these funds from the taxation authorities and are disclosed within Government Assistance Receivable and Government Assistance revenues along with the Ontario Innovation ITCs for 2005.

10 SUBSEQUENT EVENTS

On October 4, 2006 the company received a conditional offer for the real estate situated at 283 Station Street, Ajax, Ontario and remains conditional as of this date.

On November 7, 2006 the company announced that it had received regulatory approval for a private placement for 2,500,000 units at \$.10 with 2,500,000 warrants at \$.20 valid until October 31, 2008. The placement closed with 3 participants.

On November 15, 2006 the company announced that it had received an order from Abbott Laboratories for an EWI FS-POD unit. The FS-POD is a batch processor for the sterilization of effluents based on the company's patented microwave delivery system.

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