ENVIRONMENTAL WASTE INTERNATIONAL INC.

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2006

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Unaudited Interim Financial Statements
For The Three Month Period Ended March 31, 2006

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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
May 15, 2006

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

	As at March 31 2006 (Unaudited)	As at December 31 2005 (Audited)
ASSETS		
CURRENT		
Cash	**$ 393,334**	$ 232,090
Accounts receivable	**5,040**	4,951
Prepaid expenses	**23,484**	35,464
Government assistance receivable	**0**	67,123
	421,858	339,628
PROPERTY, PLANT AND EQUIPMENT (Note 3)	**1,109,327**	1,119,598
TECHNOLOGY RIGHTS (Note 4)	**337,500**	350,000
DEFERRED CHARGES	**9,236**	10,694
	$ 1,877,921	$ 1,819,920
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 183,000**	$ 215,504
Loans payable (Note 5)	**6,100**	48,100
	189,100	263,604
MORTGAGES PAYABLE (Note 6)	**1,128,000**	1,128,000
LOANS PAYABLE (Note 5)	**367,000**	367,000
	1,684,100	1,758,604
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**35,625,408**	35,145,408
Contributed surplus (Note 8)	**1,178,558**	1,178,558
Convertible debt (Note 5, 6)	**335,000**	335,000
Deficit	**(36,945,145)**	(36,597,650)
	193,821	61,316
	$ 1,877,921	$ 1,819,920

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 Month Periods Ended March 31, 2006 and 2005

	Three months ended March 31	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
REVENUE		
Sales	**$ 18,046**	$ 41,900
Other	**22**	24
	18,068	41,924
EXPENSES		
Manufacturing expenses	**315**	3,713
Research & development	**155,215**	71,703
Salaries, wages & benefits	**37,706**	119,225
Stock compensation expense	**0**	0
General and administrative	**101,967**	138,274
Foreign exchange	**(2,802)**	(2,309)
Interest on long term debt	**50,391**	19,646
Interest on short term debt	**0**	15,900
Amortization of property, equip. & technology rights	**22,771**	23,499
	365,563	389,651
NET (LOSS)	**$ (347,495)**	$ (347,727)
(Loss) per share	**$ (0.005)**	$ (0.006)
Weighted average number of common shares outstanding	**64,720,316**	63,308,324

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Shareholders' Equity
For The Three Month Periods Ended March 31, 2006 and 2005

	Three months ended	
	March 31 2006 (Unaudited)	**March 31 2005 (Unaudited)**
DEFICIT - BEGINNING OF PERIOD	**$ (36,597,650)**	$ (35,186,271)
Net income (Loss) for the period	**(347,495)**	(347,727)
DEFICIT - END OF PERIOD	**$ (36,945,145)**	$ (35,533,998)

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Cash Flows
For The Three Month Periods Ended March 31, 2006 and 2005

	Three months ended March 31	
	2006	**2005**
	(Unaudited)	**(Unaudited)**
OPERATING ACTIVITIES		
Net income (loss)	**$ (347,495)**	$ (347,727)
Items not involving cash:		
Amortization of property, plant and equipment & technology rights	**22,771**	23,499
Stock based compensation expense	**-**	**-**
Amortization of deferred charges	**1,458**	1,584
	(323,266)	(322,644)
Changes in non-cash working capital:		
Accounts receivable	**(89)**	(55,797)
Accounts payable & accrued	**(32,504)**	(94,310)
Prepaid expenses	**11,980**	9,720
Deferred revenue	**0**	110,087
Government assistance	**67,123**	327,864
Deposits		
Other		
	46,510	297,564
Cash flow used by operating activities	**(276,756)**	(25,080)
INVESTING ACTIVITIES		
Increase (decrease) in capital items	**0**	0
FINANCING ACTIVITIES		
Proceeds from:		
long-term financing		**-**
short-term financing	**(42,000)**	**-**
Issuance of shares	**480,000**	**-**
Provided by financing activities	**438,000**	-
CASH INCREASE (DECREASE)	**161,244**	(25,080)
Cash - beginning of period	**232,090**	250,147
CASH - END OF PERIOD	**$ 393,334**	$ 225,067

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 it's 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:

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 related to property, plant and equipment are treated as a reduction of cost.

(continues)

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 has adopted the fair value method of accounting for employee stock options with retroactive effect to January 1, 2003. Pursuant to the 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 after January 1, 2003, has been 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.

Stock options granted after January 1, 2003 are valued on the date of vesting using the Black Scholes option-pricing model.

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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 incentives relating 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 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 period met the criteria for deferral.

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. The Company has purchased directors’ and officers’ liability insurance. No amount has been accrued in these financial statements with respect to any indemnifications.

3 PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	**March 31 2006 Net carrying value**	December 31 2005 Net carrying value
Land	$ 331,125	$ -	**$ 331,125**	$ 331,125
Buildings	1,036,078	264,019	**772,059**	781,832
Equipment	25,209	19,066	**6,143**	6,641
	$ 1,392,412	$ 283,085	**$ 1,109,327**	$ 1,119,598

4 TECHNOLOGY RIGHTS

	March 31, 2006	December 31,2005
2002 Value	**$ 500,000**	$ 500,000
Accumulated amortization	**(162,500)**	(150,000)
	$ 337,500	$ 350,000

5 LOANS PAYABLE

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

	March 31, 2006	December 31,2005
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
The 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 $0.25 per share, maturing on November 12, 2007.	**81,000**	81,000
Loan from director and is due on demand.	**6,100**	48,100
	373,100	415,100
Principal due in one year	**(6,100)**	(48,100)
Principal due in 2007	**$ 367,000**	$ 367,000

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.

6 MORTGAGE PAYABLE

Both mortgages bear monthly payments of interest only until maturity.	**March 31, 2006**	December 31,2005
First mortgage bearing effective interest at 8.5% due on October 1, 2007.	**$ 850,000**	$ 850,000
Second mortgage bearing interest at 12% , convertible to common shares at the rate of $0.225 per share maturing on November 1, 2007. Liability component only.	**$ 278,000**	$ 278,000
	1,128,000	1,128,000
Principal payable within one year	**-**	-
Amount due in 2007	**$ 1,128,000**	$ 1,128,000

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.

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 March 31, 2006 and December 31, 2005:

	March 31, 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 March 31, 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.

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 preceeding the grant of the options. All options issued to date vest immediately.

The weighted average fair value of the options granted for the period year was $NIL, and for the year ended December 31, 2005 was $0.128.

8 SHARE CAPITAL (continued)

Stock option activity for the 3 months ended March 31, 2006 and year ended December 31, 2005 is presented below:

	Weighted average exercise price		Weighted average exercise price	
	3 months ended March 31, 2006		Year-ended 2005	
	#	**$**	#	$
Balance, beginning of year	**4,269,000**	**0.30**	4,994,000	0.39
Granted	**20,000**	**0.20**	1,775,000	0.22
Cancelled and expired			(2,500,000)	(0.44)
Exercised				
Outstanding at end of period	**4,289,000**	**0.30**	4,269,000	0.30

The following table summarizes information about the outstanding exercisable options expiring up to June 22, 2010

Range of Prices	#	Weighted Average Remaining Life in Years	Weighted Average Exercise Price
Less than .25	1,145,000	3.5	0.22
0.25 - 0.30	1,444,000	1.11	0.26
0.35 - 0.40	1,700,000	2.44	0.38
	4,289,000	2.28	0.30

The Company has recognized a compensation expense of nil in the 3 months ended March 31, 2006 & $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

	March 31, 2006	December 31,2005
Balance, beginning of period	$ 1,178,558	$ 952,056
Stock based compensation charge to earnings		226,502
Stock based compensation related to options exercised	-	
Balance, end of period	$ 1,178,558	$ 1,178,558

9 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:

9 NON-CAPITAL TAX LOSSES CARRIED FORWARD (continued)

2006	300,000
2007	2,200,000
2008	2,100,000
2009	8,300,000
Thereafter	1,100,000
	$ 14,000,000

10 FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate fair values due to the short terms to maturity of these assets. The Company's long term debt is not publicly traded therefore quoted market prices are not available.
The Company is not exposed to significant interest, currency or credit risks.

Prepared by Management - without audit