Environmental Waste International Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2007

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Environmental Waste International Inc.

A. Nature of Business

Environmental Waste International Inc. (EWI) is at the forefront of the "Green Revolution", a movement intent on revolutionizing the application of new environmentally friendly policies. Our business is to create new and innovative products that address the serious issues related to waste treatment and disposal. We research, design, develop, sell, and maintain technologically advanced products based on our proprietary patented Reverse Polymerization™ Process (RP) and delivery system. The Company believes that these, as well as new RP applications, will ultimately achieve widespread acceptance. The public, governments and industries worldwide are recognizing the need for technology to deal with the processing, treating and eventual disposal of organic items in an environmentally safe and responsible manner. EWI provides unique and effective solutions to many of these challenges.

EWI has designed solutions for the safe disposal or recycling of five different waste streams:

1. Liquid Biological Waste Systems;
2. Used Tires;
3. Food Waste;
4. Medical Waste; and
5. Animal Waste.

B. History and Background of Each of Our Five Systems and University Research Project

1. FS Series – Liquid Biological Waste Systems

In June 2006 the Company announced the results of tests performed by an independent third party lab on EWI's microwave biological wastewater system. GAP EnviroMicrobial Services (GAP), a division of Conestoga-Rovers and Associates Ltd., confirmed that EWI's microwave biological wastewater system sterilizes all tested microorganisms more efficiently and effectively than heat alone. These results play a pivotal role in EWI's marketing efforts in the biological wastewater arena, positioning its systems for consideration in the design of future laboratories and university research centers. The results have been distributed to various government agencies that oversee the treatment and disposal of biologically infected wastewater.

The FS Series sterilizes liquid biological waste without the need to filter out small solid particles. In February 2003, United States Department of Agriculture (USDA) awarded EWI a contract to design, build and install a liquid biological waste processor, the FS-6000. The unit was designed for the National Plant Germplasm Quarantine Center in Maryland and was officially commissioned in January 2005. EWI was also awarded a five-year warranty agreement. EWI has presented its technology to a number of other interested parties and has received requests for quotes for several upcoming projects. These matters are ongoing.

In late 2006 EWI officially introduced the FS-POD wastewater sterilization unit, our newest product deploying our patented RP process. The base system, priced at less than U.S.$100,000, is a small processor that fits under a laboratory countertop yet is robust enough to sterilize biological effluents from any Biological Safety Level (BSL) facility. This eliminates the need for the larger and more costly central processing unit. The FS-POD is ideal for retrofitting research centers as well as hospital, university and other types of laboratories. The system also gives tremendous flexibility to the design and engineering teams working on new facilities. Initial interest and feedback has been very positive. EWI believes that this new product will be quickly accepted in the marketplace. Design and engineering firms and potential end-users have been contacted. Initial interest and requests for presentations, meetings and system quotations has been encouraging. These smaller, “under the counter” units present the Company with an opportunity to enter a potentially lucrative worldwide market.

On November 15, 2006 the Company announced that it received an order from Abbott Laboratories for an FS-POD unit, and on May 8, 2007 EWI completed the installation and commissioning. The unit’s small size, operating features, and competitive price met Abbott’s needs. Moreover, the corporate engineering and research divisions of Abbott conducted a review of EWI including discussions with personnel at the US Department of Agriculture’s APHIS facility to confirm their satisfaction with EWI, its products, and service record. Abbott issued the purchase order based partly on this positive feedback.

In March 2007, the Company exhibited at the 2007 International Conference on Biocontainment Facilities held in San Diego, California. Our target market of research laboratories as well as government and academic departments displayed significant interest.

Both systems, the FS-6000 and the FS-POD, are based on a batch process for the sterilization of effluents based on the Company’s patented microwave delivery system.

2. TR Series – Tire Processor System

The TR Series has been designed to break down rubber tires into usable byproducts that can be used in new products. EWI is working with several groups interested in purchasing a tire processing system or in establishing a showpiece system for the local North American market. Pro-forma economic models demonstrate annual rates of return on EWI tire processing systems between 25% to 60%. Factors affecting the returns include system size and market price for the end products, which are primarily carbon black, oil, and steel.

In March 2007, the Company attended the Canada – Unites States BioEnergy Forum at the invitation of the Consulate General of Canada in Detroit that represents Canada in the states of Indiana, Kentucky, Michigan and Ohio. Significant interest in EWI’s TR tire processing systems has accrued as a result of attending this forum.

3. FD Series – Food Waste Dehydrator and Sterilizer Systems

The FD Series sterilizes and dehydrates food waste for safe storage and disposal without the formation of fermented gases. In July 2005 the Company was contracted to build a prototype food waste dehydrator/sterilizer for review by the United Kingdom Ministry of Defense for use on naval vessels. The prototype system was built and delivered in September 2005 to a special land-based test facility to confirm the system’s ability to sterilize the food waste and allow for the safe storage of the treated waste for up to 45 days. The UK naval group ascertained that the unit exceeded the required treatment and storage specifications with almost twice the stipulated efficiency. The company has received ongoing interest in this and other marine applications.

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4. MD Series – Medical Waste Systems

The MD Series is designed to fully sterilize and carbonize infectious medical waste, leaving a residue that is safe for handling and disposal. In June 2002, Precision Analysis, a third party lab, released its report on the efficiency of EWI's MD1000 and its environmentally sound manner of sterilizing infected clinical waste. EWI continually receives interest for medical waste applications. The majority of this interest is centered on world events that have created the need to safely dispose of medical waste.

5. AW Series – Animal Waste Systems

The animal waste series is similar to the medical waste series. The majority of expressed interest is focused on the safe disposal of infected animal carcasses.

6. University Research Projects

In late 2005 EWI announced its participation in a new research project along with the University of Ottawa and University of Waterloo Civil Engineering Departments. The project is investigating the effects of microwaves on municipal sludge to enhance biogas and green house gas recovery. The project has been awarded a government grant of $326,000 from Natural Sciences and Engineering Research Council of Canada (NSERC) for the three-year study. EWI believes this project will allow it to continue to expand its product line and target markets.

C. Highlights of 2007

On January 23, 2007 the Company announced that its board of directors, on the recommendation of its Audit Committee had requested and received the resignation of its independent registered public accounting firm, Harvey Cantor Professional Corporation, effective January 17, 2007. The board of directors has also accepted the audit committee's recommendation to appoint the firm of Rich Rotstein Chartered Accountants as EWI's new independent registered public accounting firm.

In March 2007, the Company attended the Canada – Unites States BioEnergy Forum at the invitation of the Consulate General of Canada in Detroit that represents Canada in the states of Indiana, Kentucky, Michigan and Ohio. There is significant interest in EWI's TR tire processing systems as a result of this Forum.

Also, in March 2007, the Company exhibited at the 2007 International Conference on Biocontainment Facilities held in San Diego, California. Our target market of research laboratories and government and academic departments displayed significant interest.

On April 24, 2007 EWI announced a private placement of 2,000,000 units raising $300,000. Each unit was issued at $0.15 and consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of EWI at a price of $0.20 for a period of two years from the date of issue. Funds are to be used for ongoing research and development projects and for general working capital purposes.

On May 8, 2007 (as mentioned above) EWI completed the installation and commissioning of the FS-POD unit sold to Abbott Laboratories. EWI attended Abbott's facility in Chicago to train key personnel in the operation and maintenance of the system. Abbott conducted their own safety audit of the equipment as well as arranging for representatives to observe and acknowledge the fully automatic operation of the system. Abbott has asked EWI to quote on an ongoing maintenance program for the FS-POD unit.

On June 1, 2007, Environmental Waste International Inc. (EWI) entered into a Technology and Intellectual Property Purchase and Sale Agreement with a newly formed arms length Limited Partnership, Environmental Waste International Limited Partnership ("EWILP"). EWILP was formed as a Limited Partnership to commercially exploit EWI's product lines and expand market penetration. All rights to EWI's patents, proprietary software and system design portfolio, except for the tire and wastewater applications, were sold for $9,600,000 with EWI taking notes receivable as consideration.

EWILP has syndicated $8,474,000 of subscription units as of December 31, 2007. The units consist of cash and notes payable to EWI. The individual limited partners personally assumed a total of $4,095,738, or $483.33 per unit, of the limited partnership debt. Subsequent to year-end EWI received $339,151 with an additional $965,771 to be received over the period from April 2008 until June 30, 2009, for total cash proceeds to EWI of $1,304,922. EWILP continues to offer partnership units for sale. If fully subscribed this would result in further cash proceeds to EWI of up to $1,700,000 bringing the total to $3,000,000.

The above arrangement between EWI and EWILP includes a Management Services Agreement that engages EWI to provide management, personnel, facilities and equipment for the continued operations of EWILP's business interests.

EWI has the right, but not the obligation, to reacquire all assigned rights through the purchase of all outstanding LP Units. This option can be exercised from January 10, 2010 through December 1, 2014 by issuing up to $9,900,000 in EWI stock at its then fair market value, as long as EWI stock is trading at a minimum of $0.50.

On July 4, 2007 EWI announced that at the Annual General and Special Shareholder meeting held on June 27, 2007, the shareholders approved the following resolutions:

1. Approval for EWI to proceed with the Funding and Revenue Agreement. (Please refer to the information circular filed on SEDAR or available on the EWI website for further details on the proposed transaction).
2. Election of Directors
3. Appointment of Rich Rotstein LLP as auditors
4. An increase to EWI's Incentive Stock Option Plan to a maximum of 7,100,000 shares.
5. The addition of a six-month vesting period on all new options issued under the Plan.
6. Issued options to purchase 1,485,000 common shares of which 600,000 were issued to current directors at an issue price of $0.15 per share and 700,000 were issued to current directors at an issue price of $0.30 per share. Both groups of options will be outstanding until June 26, 2012.

The company continued a short-term service contract for the USDA that ran from June 1, 2007 to September 30, 2007 and signed a new one-year service contract commencing October 1, 2007.

On October 15, 2007 the Company announced the issuance of $59,800 12% convertible loans due December 31, 2008. The loans, at the lenders option, are open to repayment from January 31, 2008 onward or can be converted into common shares at $0.13 per share representing 460,000 shares if fully exercised. EWI's five directors purchased the debenture as well as $55,200 of 12% secured loans due January 31, 2008. During the third quarter the company received its OITC SR&ED refund of $58,912.

D. MD&A and Accounting Policies

Management's discussion and analysis of the financial condition and results of operations ("MD&A") for the year ended December 31, 2007 should be read in conjunction with the Company's fiscal 2007 audited financial statements (the "financial statements") which have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Additional information relating to the Company is available on SEDAR at www.sedar.com, and on the Company's website www.ewmc.com. The Canadian dollar is the reporting currency in this MD&A and in the Company's financial statements.

EWI's accounting policies are important to understanding its historical and future performance as well as areas involving management's judgments and estimates. These policies are set out in note 3 to the financial statements. Sales cycles for some of EWI's patented RP Process and delivery systems involve unusually lengthy periods of time that can have a direct effect on the profitability of sales through changes in component costs, market conditions, exchange rates, and other costs outside the Company's control. Consequently, future projections based on previous financial statements using historical costs or profitability, may not be reliable.

E. Forward-looking Statements

This MD&A contains forward-looking statements, including statements about projected future revenues, expenses and cash flows, and possible plans to raise additional capital, and other statements about the Company's plans, objectives and expectations. Forward-looking statements are based on the opinions and estimates of management at the time the statements are made and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated. The words "anticipate," "believe," "expect," "intend," variations of such words, and similar expressions identify forward-looking statements, but their absence does not mean that the statement is not forward-looking. These statements are not guarantees of future performance and are subject to risks, uncertainties and assumptions that are difficult to predict. A further discussion of Risks and Uncertainties can be found nearer the end in this document.

F. Outlook & Growth Strategy

EWI continually pursues sales opportunities worldwide and is presently working with several government agencies and companies to supply quotes and system designs on a number of potential projects and installations. EWI is presently working on obtaining financing to build a local TR tire facility that would be self-sustaining, profitable and could subsequently be used as a showpiece for its technology. EWI remains hopeful that work on this project will begin within the next twelve months.

The Company has incurred significant operating losses since inception. It has a working capital deficit that impedes its manner of operations and its working capital is insufficient to support current operating levels and growth objectives for the next twelve months. The Company's ability to achieve its goal of sustained profitability remains contingent upon several factors, some of which include obtaining additional financing either through sales or equity and achieving a profitable level of operations.

G. Date of MD&A

The information contained herein is current as at the date of filing of the December 31, 2007 financial statements with Auditor's Report attached dated March 14, 2008, and is completed as of that date.

H. Selected Annual Information

1. Summary of Quarterly Balance Sheets (Unaudited)

	2007				2006			
($ 000's)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Current Assets	259	218	175	958	421	111	156	475
Current Liabilities	741	594	690	703	189	215	329	714
Shareholders' Equity	(352)	(249)	(515)	10,460	193	(167)	(260)	(106)

2. Summary of Quarterly Statements of Income (Loss) (Unaudited)

	2007				2006			
($ 000's except per share amounts)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr1	Qtr 2	Qtr 3	Qtr 4
Revenue	18	153	103	1,612	18	10	228	(181)
Total Expenses incl. Stock Based Comp & Amort.	262	433	245	126	365	606	353	(49)
Stock Based Compensation	0	84	0	45	0	229	33	(118)
Amortization	13	13	13	(16)	23	23	23	21
Net Income (Loss)	(245)	(279)	(143)	10,808	(348)	(596)	(126)	242
Weighted Ave.# of Shares	69,248	69,538	70,042	70,546	64,641	65,720	66,053	66,318
Income (Loss) per share	(.004)	(.004)	(.002)	0.154	(.005)	(.009)	(.002)	(.012)

3. Summary of Quarterly Statements of Cash Flow (Unaudited)

	2007				2006			
($ 000's)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr1	Qtr 2	Qtr 3	Qtr 4
Operations	(254)	(284)	(114)	550	(276)	(319)	(42)	(216)
Investing Activities	0	0	0	(723)	0	0	0	1,701
Financing Activities	0	300	88	11	438	26	75	(1,198)
Cash at Beginning	420	166	181	154	232	393	100	132
Cash at End	166	181	154	(5)	393	100	132	420

4. Comparison of Fiscal Years ended December 31

($ 000's)	2007	2006	2005	2004	2003
Total Assets	11,292	780	1,819	2,567	1,929
Total Liabilities	832	887	1,758	1,656	3,070
Shareholders' Equity	10,460	(106)	61	911	(1,141)
Shares Issued	71,248	69,248	62,748	62,720	58,645
Total Revenues	1,886	75	228	1,927	765
Total Expenses incl. Stock Based Comp & Amort	1,066	1,275	1,639	1,525	2618
Stock Based Compensation	129	144	226	499	504
Write downs	0	0	0	0	0
Net Income (Loss)	10,141	(828)	(1,411)	402	(1,853)
Net Income (Loss) per Share	0.144	(.012)	(.022)	.0067	(.032)
Cash Dividends Declared (per share)	$0.00	$0.00	$0.00	$0.00	$0.00

*The Company changed its policy in 2003 to commence recording stock based compensation.

I. Revenue

Revenues are generally derived from sales of systems. Each individual sale can be of significant value. As a result of each sale having a long lead-time before the sale is consummated, and then a long period of planning, engineering, manufacture, shipping, installation and commissioning, revenues from operations can fluctuate dramatically.

The largest revenue item for the fiscal year ended December 31, 2007 relate to management fees earned as a result of the Management Services Agreement entered into during the year (see Highlights of 2007) between EWI and Environmental Waste International Limited Partnership (EWILP). The agreement engages EWI to provide management, personnel, facilities and equipment for the continued operations of EWILP's business interests.

Revenues also include fees for a short-term service contract for the USDA as well as monthly warranty fees for the USDA contract that is being recognized throughout the five-year warranty period (2005 through 2010). No additional expenses are accrued, as Company employees will perform these services as part of their regular duties.

In the second quarter of 2007, EWI recognized the sale to Abbott Laboratories with the completion and commissioning of the FS-POD unit.

In addition, revenues include an amount for the amortization of the deferred income that resulted from the disposition of the real estate in December 2006. Revenue by quarter for the current and preceding year is set out in the accompanying charts.

J. Segmented Information – Revenue

($ 000's) **Geographical Revenue**	**2007**	**2006**
North America	218	72

As previously mentioned, sale negotiations are ongoing in many parts of the world. However, the geographic source of revenue is not significant in determining profitability. The Company plans on having its products used on all continents.

Percentage of Sales and Deposits Realized	**2007**	**2006**
Revenue Source:		
TR Series and other	0%	40%
FS Series	100%	60%

K. Manufacturing Expenses and Cost of Sales

EWI expenses all costs as incurred unless such costs are directly related to specific ongoing projects. Costs associated with EWI's prototype projects are not identified separately as this information would not be meaningful to calculating future profitability.

L. Salaries and Consulting

Due to the lack of current sustainable revenue from all applications, employee head counts and associated overheads continue to remain at reduced levels and are being tightly controlled. Where appropriate, employee costs are included in research and development.

M. Scientific Research and Development

Research and development costs incurred in the advancement of products and projects are allocated to research and development on the Statement of Operations. These costs include wages and materials. An active research and development program is continuously ongoing.

N. Currency of Expenses

The majority of goods and services obtained by the Company, save immaterial amounts and expenses incurred on site during installation and commissioning, are incurred in Canada and with Canadian dollars.

O. Stock Based Compensation

Commencing with the 2003 financial statements, the Company adopted the fair value method of accounting for employee stock options. During the normal course of operations, stock options are granted to employees, directors, officers, and consultants. Under this plan, the Company may grant total options to a maximum of 10% of the issued and outstanding common shares on a non-diluted basis. The exercise price is equal to or above the market price of the Company's stock price on the day prior to the date of grant and the options have a maximum term of five years. Options vest when issued, although there is a four-month TSXV restriction on options being exercised and traded from the date of issue. On July 4, 2007 EWI announced at the Annual General and Special Shareholder meeting held on June 27, 2007, that the shareholders approved a resolution to extend the TSX restriction for an additional two months for a total vesting period of six-months on all new options issued under the Plan. (See also Highlights of 2007)

Canadian GAAP requires companies to record a compensation expense for stock options. The value of these options is calculated using the Black-Scholes valuation model and expensed over the period in which the options vest. For the year ended December 31, 2007 the amount of the expense recorded was $128,736 compared with $143,698 for the year ended December 31, 2006. The calculation was based on the estimated volatility at 100% (2006-141%) and an average risk free interest rate of 4.25% (2006-4.1%).

P. Depreciation and Amortization

The Company recorded amortization on its computer equipment on a 30% per annum diminishing balance basis.

As mentioned above (see Highlights of 2007) all rights to EWI's patents, proprietary software and system design portfolio, except for tire and wastewater applications, were sold in 2007 for $9,600,000. Previously, in fiscal 2002 the value of technology rights were depreciated to $500,000, and amortized on a straight-line basis at $50,000 per annum based on an estimated life of 10 years.

Q. Income Taxes

The Company has approximately $6,868,000 in loss carry forwards for income tax purposes that may be utilized to offset taxable income of future years. These losses are reduced by the amount of the scientific research and development credits received. It is not determinable at this time whether the Company will generate sufficient income to utilize all of these loss carry forwards.

R. Interest on Debt

Interest on debt has decreased year over year and is described in greater detail under the heading "Liquidity and Capital Resources," and in the annual financial statements. The mortgages on the Company's real estate were retired in late 2006 with the sale of the real estate. Further interest expense is generated by loans obtained by the Company that are necessary to sustain the Company until the Company achieves a positive cash flow.

S. Net Income (Loss)

EWI realized a net income of $10,141,279 compared to a loss ($828,356) from the previous year. The gain on sale of technology rights and management fees accounted for most of the current year's net income. Total operating expenses fell by $209,019 year over year with most of the decrease attributable to the elimination of mortgage interest and financing costs as a result of the sale of real estate in 2006 as well as a decline in research and development costs. One offsetting factor was the decreased scientific research and investment tax credit claim in 2007 of $58,912 versus $188,475 received in 2006.

Apart from the impact of the agreements with EWILP, the remaining loss arises from normal operating expenses exceeding revenues as the Company develops its product lines and markets its products.

Based on the current level of interest in EWI's products, the Company is hopeful that a profitable level of operations can be established in the foreseeable future.

T. Customer Reliance

The ongoing work with the USDA, Abbott Laboratories and the UK clients represent an initial step in increasing market depth and building a more stable business model for the Company. Interest in the Company's products is now being expressed from potential customers. However, in the event that the above noted entities either cease operations or cease using EWI equipment, it could have a negative effect on the Company's future sales efforts.

U. Liquidity and Capital Resources

($ 000's)	**2007**	**2006**	**2005**	**2004**
Working Capital (Deficiency)	255	(239)	76	181
Current Mortgage Debt	0	0	1,128	850
Customer Deposits	0	67	0	0

Working capital increased in 2007 by $494,628 over 2006, mainly as a result of the current portion of notes receivable stemming from the sale of the Technology rights. This was offset by the reduction in cash by $426,277 and an increase of $102,500 in the current portion of loans payable.

Until EWI is able to generate working capital from profitable operations, raising capital from the exercise of options, private placements, and loans will continue to be important to the Company's financing, subject to the success of the Funding and Revenue Arrangement.

In recent years working capital inadequacies have been funded by loans from directors and arms length investors. These loans are detailed in the financial statements in each year. All of these loans have been at commercial rates, and generally contained conversion privileges to convert to common shares of EWI at a conversion price that was greater than the fair market value when the loan was granted.

V. Working Capital Shortages

The Company believes that working capital shortages will be met in the short term by:

- New sales orders currently under negotiation;
- Exercising of existing share options;
- If necessary, further private placements;
- Success of the Funding and Revenue Arrangement.

There are no guarantees that the necessary working capital will be realized in this manner.

W. Issued Shares and Share Data, Options and Warrants

	December 31, 2007	Average Exercise Price	Average Term Remaining (years)	December 31, 2006	Average Exercise Price	Average Term Remaining (years)
Issued Common Shares	71,248,324			69,248,324		
Options outstanding	5,170,000	$0.22	2.89	5,085,000	$0.23	2.07
Warrants Outstanding	6,500,000	$0.19	.80	4,500,000	$0.18	1.55

As at the date hereof the number of common shares outstanding was 71,248,324.

X. Related Party Transactions

Loans from related parties bore interest as follows:

($ 000's)	**2007**	**2006**
Interest Paid on Loans to Related Parties	46	52

Loans from related parties and conversion privileges attached thereto are reviewed and approved by the directors of the Company and by the Audit Committee. The Board of Directors is comprised of a majority of independent directors, and the Audit Committee is comprised of all independent directors.

Y. Commitments, Contractual Obligations and Contingent Liabilities

Except for the Funding and Revenue Arrangement and the loans payable, the Company has no contractual obligations other than in the normal course of business. The Company is committed to certain options and warrants on its common stock in the normal course of business as detailed herein.

Last year, the Company reached a mediated settlement with one of its suppliers over an outstanding invoice. The Company agreed to pay $37,383 (plus GST) over a twelve-month period. Two former officers and a consulting firm have outstanding litigations against the Company. The Company denies liability in all cases and views the claims as frivolous and has made no provisions for these claims.

Z. Off-Balance Sheet Arrangements

The Company does not enter into off-balance sheet arrangements as a matter of practice. Lease arrangements in place are for equipment and are not material. In accordance with GAAP, neither the lease liability nor the underlying assets are carried on the Balance Sheet, as the terms of the leases do not meet the criteria for capitalization.

AA. Critical Accounting Policies, Estimates and Accounting Changes

There have not been any changes to these policies except as specified in the notes accompanying the Audited Financial Statements for the year ended December 31, 2007.

The Company has implemented the generally accepted accounting policy for the treatment of convertible debt. For accounting purposes any debt that carries a convertible option is treated as containing a liability and an equity component. The Company has allocated an amount to the liability and equity components proportionately based on their respective fair value.

BB. Subsequent Events

On March 3, 2008 EWI announced it had signed a Memorandum of Understanding (MOU) with TRD Instum Ltd., a publicly traded Israeli company, to form jointly owned companies with the exclusive rights to EWI's patented Reverse Polymerization™ (RP) technology in Israel and certain European countries. The MOU shall remain in effect until the signing of a final agreement (Agreement) to be completed no later than May 30 2008.

The terms of the MOU require TRD to place an order for a TR1500 on EWI's standard terms and conditions upon the signing of the Agreement. The TR1500 is based on EWI's RP process that reduces tires to carbon black, oil, steel and non-condensable gases. The Agreement will include specific performance requirements for TRD to retain exclusive rights in Israel and the designated European countries. This TR 1500 installation would be a showpiece for entering the European and Middle East markets.

TRD reviewed several other processes presently being marketed as capable of extracting energy and reusable raw materials from organic items, like tires and oil shale, but concluded that EWI offered the best-proven technology. TRD has placed an initial deposit of $180,000 in trust to be released upon the signing of the Agreement. If TRD and EWI do not complete the Agreement, then 75% will be returned to TRD with EWI retaining the remaining 25%, half as an investment in EWI common shares and half as compensation.

Upon signing the Agreement, both EWI and TRD will receive two options to purchase up to 20% ownership in the other. The first is a 10% option priced at a 50% premium to each company's share trading price the day before the MOU was signed. The second 10% option will be priced at the ten day closing average price of the common shares prior to the first anniversary of the Agreement. Each option will be valid for one year; the options will run consecutively based on the Agreement signing date.

CC. Currency & Exchange Rate Uncertainty Risk

EWI enters into agreements throughout the world. There can be an extended period between the time a contract is entered into and the time that payments are made. Therefore there may be periods in which currency fluctuations could have a negative affect on operations.

Most international contracts use American currency as the base currency and there is fluctuation between the Canadian and American currency values. For accounting purposes, business conducted in foreign currencies is converted to Canadian currency at the time the transaction occurs. Any variance from this amount when money is received is charged to foreign exchange. Balances of assets or liabilities maintained in foreign currencies are converted as at the balance sheet date to Canadian currency. Most EWI expenditures are made in Canada in Canadian currency; therefore, the Company does not perceive material foreign exchange as a material risk at present. The effect of all currency fluctuations is recognized in the financial statements of the Company as a current operating revenue or expense.

DD. Risks and Uncertainties

The future of the Company is dependent upon many factors, particularly the successful acquisition of new sales orders. Failure to achieve further sales could imperil the continued operation of the Company. In the absence of further sales, the Company will not have sufficient cash reserves and will be forced to seek additional equity or debt or both. Additional equity will dilute shareholders' interest and debt will increase interest expense.

Although the Company considers its products and systems very safe environmentally, their installation usually requires substantial and detailed regulatory inspection and approval. There is no assurance that this will not delay installations or sales, or prevent sales and installations in certain jurisdictions. The Company believes its systems to be safe and adequately tested. However, there is no assurance that mechanical or system failure will not be harmful in certain circumstances.

The Company strives to obtain adequate insurance coverage in locations in which work is being performed. However, given the complexity of regulations in many jurisdictions, and the limited resources of the Company, no assurance can be given that the Company and its employees are adequately protected.

The Company's success depends in part, on its proprietary technology. While the Company believes that it has adequately protected its rights, patents, and trade secrets, there can be no assurance that these will not be challenged, or that competitive technologies will not arise.

Should a problem arise, because of the size and complexity of each individual sale, it could have a material effect on the Company and its future sales efforts. The Company believes that its continuing relationships with the USDA, Abbott Laboratories, and its UK client are important to near term sales prospects.

Other factors that could affect the Company's actual results, include, but are not limited to, (i) management's ability to manage the Company's cash flow, including anticipation of any significant capital expenditures; (ii) the ability to sell the Company's products profitably; (iii) changes in exchange rates or material costs that could affect the profitability of the sales of the Company's systems; (iv) the potential need to liquidate assets at or below the Company's cost in order to fund operating expenses; (v) the ability to secure future financing to build and deliver systems to customers; and (vii) the ability to raise additional capital if required to cover the day to day operating expenses of the Company.

While EWI has made notable progress in 2007, there is no assurance that this will result in continued progress or in profitability.

The preceding list is not exhaustive of all possible factors, and all factors should be considered carefully when making decisions with respect to the Company.

EE. Fourth Quarter Analysis

The operating results of the 4th quarter of 2007 and the 2006 comparatives are contained within the quarterly charts included above. The results of the 4th quarter of 2007 include year-end adjustments by the Company's external auditors that are mainly related to presentation. The recognition of stock compensation expense occurs at the date of vesting of options, which for EWI is generally the date of grant.

Revenue

Revenues increased dramatically in the fourth quarter as a result of management fees of $1,634,000 earned from the Limited Partnership. This was partially offset by the change in presentation of the Scientific Research and Experimental Development (SR&ED) refund of $58,912.

Expenses

Expenses declined in the fourth quarter in part due to the reallocation of the SR&ED claim mentioned above and lower amortization as a result of the disposal of the Technology Rights. Most other operating, labour and manufacturing expenses were in line with the first three quarters of the fiscal year.

Net Income

The fourth quarter realized a net income of approximately $10,808,000, mainly as a result of the gain of $9,320,833 from the disposal of the Technology Rights as well as the $1,634,000 of management fees income. This compares to a fourth quarter income of $242,000 in 2006.

FF. Management Responsibility for Financial Reporting

The Company's December 31, 2007 financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and have been approved by the board of directors. The integrity and objectivity of these financial statements are the responsibility of management. In addition, management is responsible for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

In support of this responsibility, EWI's management maintains a system of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded. When alternative accounting methods exist, management has chosen those it deems the most appropriate in the circumstances. The financial statements may contain certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis to ensure that the financial statements are presented fairly in all material respects.

The board of directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The board carries out this responsibility principally through its audit committee. The audit committee is appointed by the board and has at least one financial expert, and none of its members are involved in the daily operations of the Company. The Committee meets periodically with management and the external auditor to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to ensure that each party is properly discharging its responsibilities, and to review the financial statements with the external auditors.

The committee reports its findings to the board for consideration when approving the financial statements for issuance to the shareholders. The committee also considers, for recommendation by the board and approval by the shareholders, the reappointment of the external auditors.

The financial statements have been audited on behalf of the shareholders by Rich Rotstein Chartered Accountants, the external auditors, in accordance with Canadian generally accepted auditing standards. The external auditors have full and free access to the audit committee with respect to their findings concerning the fairness of the financial reporting and the adequacy of internal controls.