

ENVIRONMENTAL WASTE INTERNATIONAL INC.
UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2008

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Unaudited Interim Financial Statements
For The Nine Month Period Ended September 30, 2008

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**ENVIRONMENTAL WASTE INTERNATIONAL INC.
Unaudited Interim Financial Statements
For The Nine Month Period Ended September 30, 2008**

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, 2007 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 28, 2008

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Balance Sheet
As At September 30, 2008 and December 31, 2007

ASSETS		As at September 30 2008 (Unaudited)	As at December 31 2007 (Audited)
Current Assets			
Cash	\$	66,916	\$ -
Accounts receivable		36,030	19,673
Prepaid expenses and sundry		29,708	33,186
Notes receivable - current portion (Note 13)		654,772	905,542
Interest receivable (Note 13)		466,854	556
		<u>1,254,280</u>	<u>958,957</u>
Property and equipment (Note 5)		3,588	4,630
Technology Rights (Note 6)		1	1
Notes receivable (Note 13)		<u>13,369,057</u>	<u>10,328,458</u>
Total Assets		<u>\$ 14,626,926</u>	<u>\$ 11,292,046</u>
LIABILITIES			
Current Liabilities			
Bank indebtedness	\$	-	\$ 5,847
Accounts payable and accrued liabilities		167,606	184,431
Loans payable (Note 7)		424,767	469,500
Deferred income - current (Note 8)		43,307	43,307
		<u>635,680</u>	<u>703,085</u>
Long-term Liabilities			
Deferred income (Note 8)		96,135	128,615
Total Liabilities		<u>731,815</u>	<u>831,700</u>
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Capital Stock (Note 10)		35,839,145	35,816,645
Contributed surplus (Note 10)		1,450,992	1,450,992
Warrants		358,762	358,763
Convertible debt (Note 7)		176,900	180,500
Deficit		<u>(23,930,688)</u>	<u>(27,346,554)</u>
Total Liabilities and Shareholders' Equity (Deficiency)		<u>\$ 14,626,926</u>	<u>\$ 11,292,046</u>

ON BEHALF OF THE BOARD

_____"William Bateman"_____, Director

_____"Stephen Simms"_____, Director

Please refer to notes 12 and 13 for a full understanding of these financial statements.
The accompanying notes are an integral part of these financial statements.

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Operations
For The Nine Months Ended September 30, 2008 and 2007

	Three months ended September 30		Nine months ended September 30	
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)
REVENUE				
Management fees	\$ 1,204,000	\$0	\$ 3,440,000	\$0
Interest Income	161,419	0	466,298	0
Sales	42,966	32,176	125,049	180,158
Amortization of deferred income (Note 8)	10,827	0	32,481	0
Other	0	70,779	10,169	93,324
	<u>1,419,212</u>	<u>102,955</u>	<u>4,073,997</u>	<u>273,482</u>
EXPENSES				
Manufacturing expenses	12,634	12,416	39,749	83,997
Research & development	85,878	94,291	251,518	303,749
Salaries, wages & benefits	21,593	23,678	62,250	79,787
Stock compensation expense	0	0	0	84,000
Operations, general & administration	80,984	86,013	253,517	295,319
Foreign exchange	(3,059)	153	(4,316)	7,117
Interest on short term debt	18,050	15,900	54,371	47,700
Amortization of property & equipment	347	13,396	1,042	39,591
	<u>216,427</u>	<u>245,847</u>	<u>658,131</u>	<u>941,260</u>
NET INCOME (LOSS)	<u>\$ 1,202,785</u>	<u>\$ (142,892)</u>	<u>\$ 3,415,866</u>	<u>\$ (667,778)</u>
Income (loss per share)	<u>\$ 0.017</u>	<u>\$ (0.002)</u>	<u>\$ 0.048</u>	<u>\$ (0.010)</u>
Weighted average number of common shares outstanding	71,275,858	70,042,845	71,275,858	70,042,845

Please refer to notes 12 and 13 for a full understanding of these financial statements.
The accompanying notes are an integral part of these financial statements.

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Deficit
For The Nine Months Ended September 30, 2008 and 2007

	Nine months ended	
	September 30 2008 <u>(Unaudited)</u>	September 30 2007 <u>(Unaudited)</u>
DEFICIT - BEGINNING OF PERIOD	\$ (27,346,554)	\$ (37,467,369)
Net income (loss) for the period	<u>3,415,866</u>	<u>(667,778)</u>
DEFICIT - END OF PERIOD	<u>\$ (23,930,688)</u>	<u>\$ (38,135,147)</u>

Please refer to notes 12 and 13 for a full understanding of these financial statements.
The accompanying notes are an integral part of these financial statements.

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Consolidated Statement of Cash Flows
For The Nine Months Ended September 30, 2008 and 2007

	Three months ended September 30		Nine months ended September 30	
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)
OPERATING ACTIVITIES				
Net Income (loss) for the period	\$ 1,202,785	\$ (142,892)	\$ 3,415,866	\$ (667,778)
Items not affecting cash:				
Amortization of property & equipment & technology rights	347	13,396	1,042	39,591
Convertible debt	0	0	(3,600)	0
Amortization of deferred income	(10,827)	0	(32,481)	0
Stock based compensation	0	0	0	84,000
	<u>1,192,305</u>	<u>(129,496)</u>	<u>3,380,827</u>	<u>(544,187)</u>
Changes in non-cash working capital items:				
Accounts receivable	(6,789)	10,344	(16,357)	(3,609)
Prepaid expenses and sundry	3,983	6,589	3,478	38,647
Notes receivable - current portion	137,999	0	250,770	0
Interest receivable	(161,420)	0	(466,298)	0
Inventory	0	0	0	0
Accounts payable & accruals	(10,927)	9,277	(16,825)	(44,964)
Deferred revenue	0	(10,827)	0	(99,212)
	<u>(37,154)</u>	<u>15,383</u>	<u>(245,232)</u>	<u>(109,138)</u>
Cash provided from (Used in) Operating Activities	<u>1,155,151</u>	<u>(114,113)</u>	<u>3,135,595</u>	<u>(653,325)</u>
INVESTING ACTIVITIES				
Notes receivable	(1,204,000)	0	(3,040,599)	0
Cash provided from (Used in) Investing Activities	<u>(1,204,000)</u>	<u>0</u>	<u>(3,040,599)</u>	<u>0</u>
FINANCING ACTIVITIES				
Advance (Repayment) of Director Loans	0	87,500	(44,733)	87,500
Issuance of shares	22,500	-	22,500	300,000
Cash provided from (Used in) Financing Activities	<u>22,500</u>	<u>87,500</u>	<u>(22,233)</u>	<u>387,500</u>
NET INCREASE (DECREASE) IN CASH	(26,349)	(26,613)	72,763	(265,825)
(BANK INDEBTEDNESS) CASH - BEGINNING OF PERIOD	93,265	181,218	(5,847)	420,430
CASH - END OF PERIOD	\$ 66,916	\$ 154,605	\$ 66,916	\$ 154,605

Please refer to notes 12 and 13 for a full understanding of these financial statements.
The accompanying notes are an integral part of these financial statements.

Prepared by Management - without audit

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Nine Months Ended September 30, 2008

1 NATURE OF BUSINESS

Environmental Waste International Inc. ("EWI") is incorporated under the Ontario Business Corporations Act. The Company's business is the design, development and sale of environmentally sound devices utilizing EWI's patented Reverse Polymerization Process for dealing with waste disposal, including the development, advancing, licensing and sale of its technology and related machines throughout the world.

2 GOING CONCERN

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets, including the ultimate collection of its long-term notes receivable (note 13), 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, management is reasonably confident but can offer no guarantee that it will be able to secure the necessary financing to enable the Company to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Financial Statements and Use of Estimates

The accompanying financial statements for EWI for the quarters ended September 30, 2008 and 2007 in the opinion of management, include all adjustments necessary for their fair presentation in conformity with Canadian generally accepted accounting principles (Canadian GAAP). These statements should be read in conjunction with the audited financial statements for the year ending December 31, 2007.

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 and technology rights. Actual results could differ from these estimates.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its 100% owned subsidiaries, Environmental Waste Management Corporation "EVMC" and Jaguar Carbon Sales Limited. All inter-company transactions and balances have been eliminated on consolidation. The activities of the subsidiaries are currently immaterial.

(c) Share Issue Costs

Direct costs associated with an issue of capital stock or warrants are deducted from the related proceeds at the time of issue.

(d) 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. These rights, except for the tire and wastewater applications, were sold during 2007.

(e) Revenue Recognition

Revenue is recognized when all of the following criteria have been met: persuasive evidence of an arrangement exists; the services have been provided; the price is fixed or determinable; customer acceptance has been received or implied; collection of sales proceeds is reasonably assured.

During the period, the Company earned fees for the services provided to the Environmental Waste International Limited Partnership (the "EWILP") from a software license agreement and management and operating services agreements (representing software rights, management, personnel and facilities and equipment that the Company has agreed to provide to the EWILP)

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.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Nine Months Ended September 30, 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue Recognition (Continued)

Certain contracts require the customer to provide deposits. Deposits are deemed to be forfeited by the customer when certain contractual obligations are not met and are brought into revenue. Any other billings or cash received in advance of sales are being recorded as deferred revenue. Other revenue is recognized at the time ownership transfers or services are rendered to the customer.

Provision for the 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.

(f) Stock Based Compensation

The Company has a stock-based compensation plan. It maintains a stock-based compensation plan for employees, directors, officers and consultants of the Company. Effective January 1, 2003, the Company follows the fair-value method (using the Black-Scholes option pricing model) to record compensation expense with respect to stock options and warrants granted. The fair value of each option or warrant granted is estimated on the date of grant and provision for the cost is provided for as contributed surplus over the term of the vesting period of the respective options. The consideration received by the Company on the exercise of share options is recorded as an increase to the share capital together with corresponding amounts previously recognized in contributed surplus.

Estimates used in the fair value computation, including the expected lives of the options, risk free interest rate and volatility of the stock, were determined on the basis of available comparable market and historical data that EWI believes are reasonable.

(g) Warrants

The Company uses the fair value method of accounting for common share purchase warrants issued as a part of a brokered and non-brokered private placement offering for common shares or as part of other compensation. Under the fair value method, warrants are measured at fair value at the date of the offering and segregated separately in shareholders' equity. When the warrants are exercised, the proceeds received by the Company together with the related amount segregated in shareholders' equity are credited to share capital. If the warrants expire without being exercised, the related amount segregated in shareholders' equity is credited to contributed surplus.

(h) Basic and Diluted earnings (loss) per share

Basic earnings (loss) per share have been computed by dividing net earnings (loss) by the weighted average shares outstanding during the year. Weighted average number of shares is determined by relating the portion of time within the year that common shares have been outstanding to the total time in the year.

The Canadian Institute of Chartered Accountants ("CICA") recommends the use of the treasury stock method in computing earnings/loss per share. Diluted per share amounts are calculated using the treasury stock method. Diluted earnings (loss) per share is 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 or dilutive instruments. In computing the loss per share on a fully diluted basis, the treasury stock method assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the prevailing market rate. The weighted average number of shares outstanding is then adjusted by the net change.

(i) Segmented Information

The Company has determined that it has two operating segments. During the fiscal period, all revenues from operations were derived from sources located in Canada and United States and all identifiable assets were located in Canada.

(j) Government Assistance/Investment Tax Credits "ITCs"

Government assistance is available to the Company through income tax investment and innovation tax credits. ITCs and other governmental incentives relating to 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.

(k) 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.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Nine Months Ended September 30, 2008

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Translation of Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars at the appropriate rates of exchange ruling at the balance sheet date, while other assets and liabilities are converted at the rates of exchange applicable at the dates acquired or incurred. Revenues and expenses are translated into Canadian dollars at rates of exchange applicable during the periods in which they were earned or expensed. All gains and losses are included in the consolidated statements of operations and deficit as they arise.

(m) Leases

Leases are classified as either capital or operating leases. Leases that transfer substantially all of the benefits and inherent risks of ownership of property to the Company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is amortized on the same basis as described above. Rental payments under operating leases are expensed as incurred.

(n) Property and Equipment

Property and equipment are recorded at cost. Repairs and maintenance are charged against income as incurred. Expenditures which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Company's ability to provide services, its carrying amount is written down to residual value. Amortization is provided annually on capital assets, other than land, at rates designed to charge the cost of the assets over their estimated useful lives, as follows:

Computer equipment	30-55%	declining balance
Equipment	30%	declining balance

One-half of annual depreciation and amortization is charged on net assets acquired during the fiscal year. Government assistance is recorded as a reduction of the related assets.

(o) Impairment of Long-Lived Assets

Long-lived assets, including capital assets, are amortized over their useful lives. The Company reviews long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the discounted cash flows expected to result from the use and eventual disposition of a group of assets is less than its carrying amount, it is considered impaired. An impairment loss is measured as the amount by which the carrying amount of the group of assets exceeds its fair value. At period end, no such impairment has occurred.

(p) Income Taxes

The Company uses the asset and liability method of accounting for income taxes, under which future tax assets and liabilities are recognized for differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates in effect in the year in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the year that includes the enactment date. A valuation allowance is recorded to the extent there is uncertainty regarding realization of future tax assets.

(q) Concentration of Credit Risk

The Company derived net sales and fees from one (2007 three) major customer amounting to approximately \$3,440,000 (2007-\$1,845,171). Accounts/notes receivable from the above significant customers at September 30, 2008 is \$4,423,828 (December 31, 2007-\$1,650,096).

(r) 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.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Nine Months Ended September 30, 2008

4 CHANGES IN ACCOUNTING POLICIES

On January 1, 2007, the Company adopted the revised CICA Handbook Section 1506, Accounting Changes. Under the revised section, voluntary changes in accounting policy are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impractical to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and changes in accounting estimates are applied prospectively by including these changes in earnings. The guidance was effective for all changes in accounting policies, changes in accounting estimates and corrections of prior periods errors initiated in periods beginning on or after January 1, 2007. This new standard did not affect the Company's consolidated financial statements for the year ended December 31, 2007.

On January 1, 2007, the Company prospectively adopted CICA Handbook Section 1530, Comprehensive Income. Comprehensive income is the change in a company's net assets that results from transactions, events and circumstances from sources other than the company's shareholders and the company's net income and Other Comprehensive Income. Other Comprehensive Income includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. There were no such items recognized in comprehensive income for the year ended December 31, 2007.

The Company also prospectively adopted CICA Handbook Section 3251, Equity which establishes standards for the presentation of equity and changes in equity during the reporting period, effective for fiscal years beginning October 2006. This standard had no impact on the Company's consolidated financial statements for the year ended December 31, 2007.

On January 1, 2007, the Company prospectively adopted CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. In accordance with this new standard the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. This new standard did not affect the Company's consolidated financial statements for the year ended December 31, 2007.

On January 1, 2007, the Company prospectively adopted CICA Handbook Section 3865, Hedges. This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. Company has not designated any hedging relationships. This new standard did not affect the Company's consolidated financial statements for the year ended December 31, 2007.

On January 1, 2008, the Company prospectively adopted CICA Handbook Section 3031, Inventories. This new standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. This new standard did not affect the Company's consolidated financial statements for the quarter ended September 30, 2008

On January 1, 2008, the Company prospectively adopted CICA Handbook Sections 3862, Financial Instruments – Disclosures; 3863, Financial Instruments – Presentation; 1535, Capital Disclosures and 1400, General Standards of Financial Statement Presentation. This new standard did not affect the Company's consolidated financial statements for the period ended September 30, 2008

FUTURE CHANGE IN ACCOUNTING POLICIES

As of January 1, 2009, the Company will be required to adopt CICA Handbook Section 3064 Goodwill and Intangible Assets which replaces CICA Handbook Sections 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. The Company is assessing the impact of these new standards on its consolidated financial statements; however, the adoption is not expected to have a material impact on its consolidated financial statements.

5 PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	September 30 2008 Net Book Value	December 31 2007 Net Book Value
<i>Computer Equipment</i>	\$ 14,133	\$ (10,545)	\$ 3,588	\$ 4,630

6 TECHNOLOGY RIGHTS

	September 30, 2008	December 31, 2007
2002 Value	\$ 1	\$ 1

All rights to EW's patents, proprietary software and system design portfolio, except for the tire and wastewater applications, were sold for \$9,600,000 with EW taking notes receivable as consideration. A gain of \$9,320,833 was recognized on the sale of these rights. EW has the right to re-acquire all assigned rights. The Company has attributed \$1 of the 2002 value to the retained applications.

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Nine Months Ended September 30, 2008

7 LOANS PAYABLE

All loans bear monthly interest at the rate of 12%. All had their original maturity dates extended to September 30, 2008, and are now due on demand. The interest is payable monthly. The loans consist of the following:

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
(a) Loan from a relative of the president of the Company convertible for common shares at the rate of \$0.25 per share and was due on November 1, 2007.	\$ 186,000	\$ 186,000
(b) Loan from relative of a director. The original maturity date was December 8, 2005.	66,667	100,000
(c) Loans from directors convertible to common shares at the rate of \$0.25 per share, was due on November 12, 2007.	74,600	81,000
(d) Loans from directors convertible to common shares at the rate of \$0.13 per share, was due on January 31, 2008.	97,500	97,500
(e) Loan from a director, due on demand.	-	5,000
Total long-term debt	424,767	469,500
Less: current portion	(424,767)	(469,500)
	<u>\$ -</u>	<u>\$ -</u>

In 2004, as required by Canadian generally accepted accounting principles, the Company classified the convertible loans as having both a liability component and an equity component. The classification between debt and equity was determined using the relative fair value approach, with fair value determined by discounting estimated cash flows at a rate of 20%, for a debt instrument of comparable maturity and credit facility. The equity component, which consists of a conversion feature, was determined 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 had allocated \$267,000 of the gross proceeds received to debt and \$163,000 to equity.

In 2007, the Company borrowed \$115,000 from five directors of the Company. The loan is in the form of \$55,200 as a 12% secured loan and a 12% convertible debentures for the balance of the principal amount of \$59,800. The debenture will mature on December 31, 2008. The debentures are open to repayment from September 30, 2008 onward or can be converted into 460,000 common shares of the Company at \$0.13 per share at the lender's option. As required by Canadian generally accepted accounting principles, the Company classified the convertible loans as having both a liability component and an equity component. The classification between debt and equity was determined using the relative fair value approach, with fair value determined by discounting estimated cash flows at a rate of 20%, for a debt instrument of comparable maturity and credit facility.

The equity component, which consists of a conversion feature, was determined using the Black-Scholes option pricing model, and was based on a risk free annual interest rate of 4.25%, an expected life of approximately 1 year, an expected volatility of 100% and a dividend yield rate of nil. As a result, the Company had allocated \$97,500 of the gross proceeds received to debt and \$17,500 to equity.

Interest payments in 2007 on the convertible loan were allocated between interest expense on the liability component, and the distributions paid on the equity component, by proportioning the liability component to the face value over the term of the convertible loans, based on an annual interest rate of 12%. During the year 2007, \$20,464 interest paid on the equity portion was allocated to equity as a distribution on the equity component.

8 DEFERRED INCOME

The amortization is calculated on a straight line basis over the initial lease term of the Company's premises, being 60 months.

	<u>September 30, 2008</u>	<u>December 31, 2007</u>
Opening Balance	\$ 171,922	\$ 215,229
Balance deferred during the period	-	-
Amortization during the period	(32,480)	(43,307)
	139,442	171,922
Less: current portion	(43,307)	(43,307)
Long-term portion	<u>\$ 96,135</u>	<u>\$ 128,615</u>

ENVIRONMENTAL WASTE INTERNATIONAL INC.
Notes to Consolidated Financial Statements
For The Nine Months Ended September 30, 2008

9 DEFERRED REVENUE

Deferred revenue representing customer deposits are recognized as income in the period the units are delivered to the customer-none during the period.

10 SHARE CAPITAL

- (a) The Company is authorized to issue an unlimited number of common shares.
(b) The following details the changes in the issued shares for the periods ended September 30, 2008 and December 31, 2007:

	September 30, 2008		December 31, 2007	
	Number	\$	Number	\$
Issued and Outstanding:				
Balance, beginning of period	71,248,324	\$ 35,816,645	69,248,324	\$ 35,657,624
Issued for Cash:				
Private placements	150,000	22,500	2,000,000	300,000
Employee stock options	-	-	-	-
Cost of equity financing	-	-	-	(140,979)
Stock based compensation related to exercise of options	-	-	-	-
Balance, end of period	71,398,324	\$ 35,839,145	71,248,324	\$ 35,816,645

The Company has placed a stop trade order on 1,000,000 of the issued and outstanding shares.

(c) Stock Options:

The Board of Directors have established a stock option plan under which options to purchase shares are granted to directors, employees, officers and consultants of the Company. The number of options and exercise price thereof is set by the Board of Directors at the time of grant, provided that the exercise price shall not be less than the market price of the common shares on the day immediately preceding the grant of the options, on the stock exchange on which such shares are then traded. All new options issued have a 6 month vesting period and generally expire from one (1) to five (5) years from the date of Grant.

The weighted average fair value of the options granted for the period was \$0.12, and for the year ended December 31, 2007 was \$0.22.

Stock option activity For The Nine Months Ended September 30, 2008 and for the year ended December 31, 2007 is presented below:

	Weighted average exercise price Nine Months ended September 30, 2008		Weighted average exercise price Year-ended December 31 2007	
	#	\$	#	\$
Balance, beginning of year	5,170,000	0.22	5,085,000	0.23
Granted	985,000	0.12	1,485,000	0.22
Cancelled and expired	(835,000)	(0.29)	(1,400,000)	(0.24)
Exercised	-	-	-	-
Outstanding at end of period	5,320,000	0.19	5,170,000	0.22

The following table summarizes information about the outstanding exercisable options expiring up to June 17, 2013

Range of Prices	#	Weighted Average Remaining Life in Years	Weighted Average Exercise Price
Less than .25	3,995,000	3.10	0.14
0.25 - 0.30	700,000	3.79	0.30
0.35 - 0.40	625,000	0.73	0.39
	5,320,000	2.91	0.19

The Company has recognized a compensation expense of \$nil in the nine months ended September 30, 2008 & \$128,736 in the year ended December 31, 2007 using the Black Scholes method with estimated volatility at 100% (2007 – 100%) and an average risk free interest rate of 3.75% (2007 – 3.75%).

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10 SHARE CAPITAL (Continued)

<u>CONTRIBUTED SURPLUS</u>	September 30, 2008	December 31, 2007
Balance, beginning of period	\$ 1,450,992	\$ 1,322,256
Stock based compensation charge to earnings	-	128,736
Options exercised	-	-
Balance, end of period	<u>\$ 1,450,992</u>	<u>\$ 1,450,992</u>

11 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 year realized or when virtual certainty of application exists. The estimated losses and expiry dates are as follows:

2009	\$ 5,036,500
2010	794,000
2015	501,000
2026	536,500
	<u>\$ 6,868,000</u>

12 ENVIRONMENTAL WASTE INTERNATIONAL LIMITED PARTNERSHIP

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 subscription of 8,474 units as of December 31, 2007. The units consist of cash and assumption of a portion of the notes payable to EWI. The individual limited partners of EWILP 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 June 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 re-acquire all assigned rights to the patents, proprietary software and system design portfolio through the purchase of all outstanding LP Units. This option can be exercised from January 10, 2010 through to 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 a share.

13 NOTES RECEIVABLE

	<u>September 30</u>	
	<u>2008</u>	<u>2007</u>
(a) On June 1, 2007, 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 unsecured notes receivable as consideration (note 12); bearing effective interest at lesser of (i) 5% per annum and (ii) the rate prescribed by the Income Tax Act (Canada) for the purposes of section 143.2 calculated annually, due on December 31, 2014.	\$9,600,000	\$9,600,000
This represents the unsecured notes receivable on account of management fees receivable from the individual partners of the EWILP for the services provided to the EWILP, bearing interest at 5%, due on December 31, 2009.	<u>4,423,829</u>	<u>1,634,000</u>
Total Notes Receivable	\$ 14,023,829	\$ 11,234,000
Less: Current Portion	\$ (654,772)	\$ (905,542)
Long-Term Portion	\$ 13,369,057	\$ 10,328,458

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13 NOTES RECEIVABLE (Continued)

As part of the agreement for payment of interest and repayment of principal on the notes receivable the following was agreed: (a) 100% of the individual limited partner's share of any net profits of the business carried on by EWILP will be first allocated for payment to EWILP for their portion of interest due and unpaid on the notes receivable and once fully paid then, (b) 55% of the individual limited partner's share of said profit will be allocated for payment to EWILP for principal reduction, provided that, if any principal remains unpaid on December 31, 2014 with respect to an individual limited partner's proportionate share of their obligation to EWILP, then such limited individual partner will repay their proportional share of the principal. (c) See last paragraph of note 12 above if notes remains unpaid.

14 CREDIT, LIQUIDITY AND INTEREST RATE RISKS

Financial instruments are defined under Canadian generally accepted accounting principles as contracts that give rise to both financial assets and financial liabilities. In the balance sheet, this includes cash, accounts receivable, management fees receivable, interest receivable, notes receivable, bank indebtedness, loans payable and accounts payable and accrued charges. The fair values of cash (bank indebtedness) approximate their carrying value due to their short-term nature. The Company's accounts receivable, management fees receivable, interest receivable, are classified as loans and receivables, loans payable are classified as loans payable. Accounts payable and accrued liabilities are classified as other financial liabilities, the fair values of which approximate their carrying values due to the short-term nature of these instruments. The notes receivable are classified as loans and receivable, the fair value of this long-term receivable is currently deemed equivalent to its carrying value, as it bears a variable interest rate. The carrying values of financial instruments approximate fair values unless otherwise indicated.

Credit Risk

The Company's credit risk is primarily attributable to uncertainties relating to timing and collectibility of its long term notes receivables from the Limited Partnership (EWILP) and its individual partners. Company management believes its credit risk is low as it expects EWILP units will be fully subscribed and that EWILP will commercially exploit the Company's product lines and expand market penetration during the course of the agreement. The Company expects EWILP will generate enough revenue and cash to fulfill its debt obligations owing to the Company. In addition the Company takes into account the debtor's payment history, credit worthiness and the economic environment in which it operates to assess impairment. Based on the above management believes that the credit risk concentration with respect to this financial instrument is low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined below.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and acquire or dispose of rights to certain intellectual property assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors. In order to maximize ongoing development efforts, the Company does not pay out dividends.

Accounts payable and accrued liabilities are current financial instruments expected to be settled in the normal course of operations.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the notes receivable or pay more interest on loans payable is limited because the majority of these instruments bear fixed rate of interest and are generally held to maturity.

15 CAPITAL DISCLOSURES

Capital management

The Company's objectives when managing its capital are:

(a) to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk while providing an appropriate return to its shareholders;

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15 CAPITAL DISCLOSURES (Continued)

(b) to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business;

(c) to safeguard the Company's ability to obtain financing should the need arise; and

(d) to maintain financial flexibility in order to have access to capital in the event of future acquisitions and as well as to improve current and new research and development for new technologies.

The Company manages its capital structure and makes adjustments to it in accordance with the objectives stated above, as well as responds to changes in economic conditions and the risk characteristics of the underlying assets. The Company monitors the return on capital, which is defined as total shareholders' equity. There were no changes in the Company's approach to capital management during the nine months ended September 30, 2008. The Company is not subject to externally imposed capital requirements.