Environmental Waste International Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2009

Table of Contents

ENVIRONMENTAL WASTE INTERNATIONAL

A. Nature of Business

Environmental Waste (EWS) is at the forefront of the "Green Revolution". Our business is to create new and innovative products that address issues related to waste treatment and disposal. We research, design, develop, sell, and maintain technologically advanced products based on our patented Reverse Polymerization™ Process (RP) and proprietary 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. EWS provides unique and effective solutions to many of these challenges.

To date, EWS has designed solutions for the safe disposal or recycling of five different waste streams:

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

B. The TR900 Prototype Tire System

Environmental Waste International Inc. (EWS) continues to make progress on the TR900 Prototype Tire Reduction System. Last June, Ellsin Environmental Ltd (Ellsin), a private Canadian corporation in which EWS has a 37.5% interest, contracted EWI Rubber Inc. (EWIR), a wholly owned subsidiary of EWS, to build the TR900 system which is designed to break down 900 tires per day into carbon black, oil and steel which can be resold, while producing its own power from the off gases. The system will be installed and operated in Sault Ste. Marie, Ontario. As of year-end all design and manufacturing drawings for the TR900 project had been completed.

In April 2010, EWS hired a Project Manager to oversee the fabrication, assembly and commissioning phases of the project. EWS has selected the main manufacturer for the processing chamber and the fabrication phase of the main TR900 components has commenced. EWS has contracted Rockwell Automation to complete the programming and integration of the control software as well as designing the user interface and remote monitoring portions of the tire system. EWS has begun fabricating certain components including the tire in-feed section.

On April 6, 2010, EWS announced receipt of a $1,000,000 installment payment from Ellsin, bringing total payments to $2.2 million of the $4.175 million it will be paid for the TR900. The balance is due per the original contract terms. Ellsin is currently beginning construction of the building that will house the showpiece tire processing plant. EWS participated in a second mortgage on the building in the amount of $145,000. The mortgage pays 12% interest and comes with 145,000 warrants to purchase Ellsin common stock. Under a separate agreement EWS has recently loaned Ellsin $750,000 interest free, due and payable following Ellsin's receipt of their 2010 Scientific Research and Experimental Development (SRED) claim.

<u>Background</u>

On June 23, 2009, EWS announced that EWIR had received a $50,000 non-refundable deposit from Ellsin to build a TR900 prototype tire reduction system. As part of the Agreement, EWS granted Ellsin the sales and marketing rights for the TR technology, as it applies to passenger tires, for Canada and the USA. The TR900 is based on EWS's patented Reverse Polymerization™ process.

On July 23, 2009, EWS announced that the $1,150,000 balance of the first deposit had been received. The complete project is valued at $5.25 million. EWS further announced that it had completed a non-brokered placement of 6,000,000 units at $0.15 per unit as announced in its June 23, 2009 press release. The $900,000 raised was used to purchase EWS's 37.5% interest in Ellsin. Each unit consists of one common share and one warrant to purchase an additional common share at $0.20 per share for two years.

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

1. TR Series – Tire Processor System

See Section B above

The TR Series breaks down rubber tires into several byproducts that can be used in new products. EWS is working with groups interested in purchasing tire-processing systems. Pro-forma economic models indicate attractive rates of return for the EWS tire processing systems.

2. FS Series – Liquid Biological Waste Systems

EWS designed and built the FS series of products in response to a growing need to sterilize biologically contaminated effluents from research facilities. The Company delivered and installed its first FS6000 system to the United States Department of Agriculture (USDA) and continues to work with the USDA through an ongoing monthly maintenance contract.

Based on the continuously changing needs in this industry and the goal of increasing the options to the end users, EWS designed the FSPOD unit for in lab effluent sterilization. The base system can fit under a laboratory countertop yet is robust enough to sterilize the effluents from any Biological Safety Level (BSL) facility. The FS-POD is ideal for retrofitting research centers as well as hospital, university and other types of laboratories. The Company has installed and commissioned an FSPOD unit at Abbott Laboratories in Chicago, IL.

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 or odors. The initial design was for the naval marketplace but recent interest has been found in the cruise ship sector as well. The first prototype system was built for the United Kingdom Ministry of Defense. The prototype system has undergone testing that confirms the system's ability to sterilize food waste and allow for the safe storage of the treated waste for up to 45 days.

4. MD & AW Series – Medical and Animal 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. Precision Analysis, a third party lab, published a report on the efficacy of EWS's MD1000 system and its environmentally sound manner of sterilizing infected clinical waste.

The AW animal waste series is similar to the medical waste series. Most interest is focused on the safe disposal of infected animal carcasses and any associated bedding.

5. University Research Projects

EWS continues to participate and support research projects with various Universities investigating new and novel applications of its microwave process. Recent work has been focused on investigating the effects of microwaves on municipal sludge to enhance biogas and green house gas recovery. EWS is currently reviewing the reports from this work to determine its future course of action.

D. Highlights of 2009

Progress on the TR900 Prototype Tire System: See Section **"B"** above for a complete discussion.

Extension of Debt Repayment

As reflected on last year's audited financial statements and announced on April 17, 2009 the Company negotiated an extension of debt obligations of $601,667 that were originally due September 30, 2008. Of this amount, $86,667 was repaid in 2009. The balance of $515,000 has been extended to September 30, 2010. As an incentive to extend the repayment date, EWS issued 515,000 two year warrants to purchase common stock at $0.20 per share.

EWS Contracted to Develop Coal Application

On June 25, 2009, the Company announced that EWS and EWI Limited Partnership (EWILP) have entered into a Joint Venture with Puma Hydrocarbons Inc. (Puma), a private Canadian company, to determine if EWS's patented Reverse Polymerization™ technology can be successfully applied to coal. Puma made an initial $50,000 payment to cover the first phase of testing. This project will assess the ability of the Reverse Polymerization™ process to extract the impurities trapped in the coal or to improve its commercial value. The goal of the project would be to create an economical process that can minimize the environmental issues associated with using untreated coal as a fuel source. EWS makes no representation on the prospects of this venture.

Options issued

On June 26, 2009, the Company issued five year options to purchase 1,035,000 common shares at $0.20 and 250,000 common shares at $0.30 per share, of which a total of 950,000 were issued to Directors.

Appointment of New Director

On December 9, 2009 the Company announced that Mr. Valdis Martinsons join the Board of Directors. Mr. Martinsons is presently the Chief Operating officer of iTMethods, a leading provider of business agnostic technology infrastructure operations for the small-medium business market. Mr. Martinsons was granted 300,000 five-year options to purchase common stock in EWS at $0.30 per share.

E. 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, 2009 should be read in conjunction with the Company's 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.

EWS's accounting policies are set out in note 3 to the financial statements. Sales cycles for some of EWS'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.

Basis of Consolidation of Subsidiaries and Variable Interest Entity ("VIE")

On June 1, 2007 the Company entered into a Technology and Intellectual Property Purchase and Sale Agreement as well as a Management Services Agreement with EWILP. In determining how best to account for the operations of EWILP, the Company reviewed the risk/reward relationship between the two entities. One interpretation could be that depending on future events, generally accepted accounting principles could cause EWILP to be viewed as a primary VIE to the Company, which requires consolidation of EWILP's financial statements into those of EWS. Another interpretation of this relationship dictates that EWS is, and has always been, the primary beneficiary. In view of the possibility that the Company might be required to consolidate EWILP, and although the Company does not legally control EWILP's net assets, the Company retroactively applied the consolidation method of accounting to include the activities of EWILP. The effects of this retroactive application can be seen in Note 11 to the December 31, 2008 audited consolidated financial statements.

F. Forward-looking Statements

This MD&A contains forward-looking statements, including statements about projected future revenues, expenses and cash flows, 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 near the end in this document.

G. Outlook & Growth Strategy

The Company's primary focus is currently on the construction of the TR900 Prototype Tire System (TR900), having completed the design and engineering phase.

The Company has incurred significant operating losses since inception. It often has a working capital deficit that impedes its manner of operations. The Company presently has sufficient working capital to complete its obligations under the TR900 project. To maintain its working capital and to meet its growth objectives over the next twelve months, the Company anticipates the need to raise additional funding. 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.

H. Date of MD&A

The information contained herein is current as at the date of filing of the December 31, 2009 financial statements with Auditor's Report dated April 15, 2010.

I. Selected Annual Information

Certain figures have been restated to reflect the consolidation of the Variable Interest Entity.

1. Summary of Quarterly Balance Sheets (Unaudited)

	2009				2008			
($ 000's)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Current Assets	518	564	1,692	1,526	1,071	1,252	1,254	410
Current Liabilities	385	474	2,077	1,677	663	646	636	392
Shareholders' Equity	(677)	(797)	(60)	(347)	11,602	12,667	13,895	(645)

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

	2009				2008			
($ 000's except per share amounts)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr1	Qtr 2	Qtr 3	Qtr 4
Revenue	40	38	36	689	1,370	1,284	1,419	(3,864)
Total Expenses incl. Stock Based Comp & Amort.	235	242	231	1,545	224	219	216	449
Stock Based Compensation	0	0	0	273	0	0	0	78
Amortization	13	13	13	13	1	0	0	52
Net Income (Loss)	(32)	(119)	(169)	(531)	1,145	1,065	1,203	(3,907)
Weighted Ave.# of Shares	71,398	71,398	72,933	74,074	71,248	71,248	71,275	71,313
Income (Loss) per share	0.000	(0.002)	(0.002)	(0.002)	0.016	0.015	0.017	(0.054)

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

	2009				2008			
($ 000's)	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr1	Qtr 2	Qtr 3	Qtr 4
Operations	99	49	983	(1,240)	1,140	840	1,155	(3,947)
Investing Activities	0	0	(900)	(9)	(980)	(856)	(1,204)	3,040
Financing Activities	0	0	863	1,001	(45)	0	23	695
Cash at Beginning	344	443	492	1,437	(5)	109	93	67
Cash at End	443	492	1,437	1,189	109	93	67	344

4. Comparison of Fiscal Years ended December 31

($ 000's)	2009	2008	2007	2006	2005
Total Assets	2,274	613	791	780	1,819
Total Liabilities	2,621	1,259	1,016	887	1,758
Shareholders' Equity	(347)	(645)	(225)	(106)	61
Shares Issued	77,448	71,398	71,248	69,248	62,748
Total Revenues	803	210	252	75	228
Total Expenses incl. Stock Based Comp & Amort	2,253	1,108	1,095	1,275	1,639
Stock Based Compensation	273	78	129	144	226
Write downs	0	0	0	0	0
Net Income (Loss)	(851)	(494)	(544)	(828)	(1,411)
Net Income (Loss) per Share	(0.006)	(0.006)	(0.007)	(.012)	(.022)
Cash Dividends Declared (per share)	$0.00	$0.00	$0.00	$0.00	$0.00

J. Revenue

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

Revenues include fees for a 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 perform these services as part of their regular duties.

Revenues include an amount for the amortization of the deferred income that resulted from the disposition of real estate in December 2006.

K. Segmented Information – Revenue

($ 000's) **Geographical Revenue**	**2009**	**2008**
North America	764	157

The geographic source of revenue is not significant in determining profitability. The Company intends on having its products used on all continents.

Percentage of Sales and Deposits Realized	**2009**	**2008**
Revenue Source:		
TR Series and other	89%	7%
FS Series	11%	93%

L. Manufacturing Expenses and Cost of Sales

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

M. 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.

N. 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. EWS has agreed to assign all eligible SRED claims directly related to the development of the TR900 to Ellsin.

O. 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.

P. Stock Based Compensation

The Company uses the fair value method of accounting for employee stock options that are granted to employees, directors, officers, and consultants. Under this plan, the Company may grant 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. In 2007 shareholders approved a resolution requiring a vesting period of six months on all new options issued under the Plan.

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, 2009, the amount of the expense recorded was $273,197 compared with $78,769 for the year ended December 31, 2008. The calculation was based on the estimated volatility at 100 % (2008-100%) and an average risk free interest rate of between 1.36% to 3% (2008-1.70%).

Q. Depreciation and Amortization

The Company recorded amortization on its computer equipment on a 30% per annum diminishing balance basis. As previously reported, all rights to EWS's patents, proprietary software and system design portfolio, except for tire and wastewater applications, were sold in 2007 for $9,600,000. In 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. This policy continues for the consolidated statements.

R. Income Taxes

The Company has approximately $1,348,087 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.

S. Interest on Debt

Interest on debt declined moderately year over year as a result of certain loan repayments. Please refer to "Liquidity and Capital Resources," and the audited annual financial statements for additional disclosures.

T. Net Income (Loss)

The Company incurred a loss of ($851,135) for the fiscal year ending December 31, 2009 versus a loss of ($494,453) in the previous year. The following chart explains the main year over year variances:

	2009	2008	Variance	See Note Below
Consulting fees	677,676	-	677,676	a
Cost of sales	(423,407)	(196)	(423,211)	b
Marketing expenses	(337,147)	(79,969)	(257,178)	c
Payroll	(723,141)	(416,226)	(306,915)	d
Payroll portion of R&D expenses	53,545	181,491	(127,946)	e
R&D costs	(70,873)	(222,638)	151,765	f
Stock based compensation	(265,151)	(78,679)	(186,472)	g
Gain on sale of Partenrship units	729,169	385,190	343,979	h
Loss on equity investment	(311,276)	-	(311,276)	i
All other revenues and expenses	(180,531)	(263,426)	82,895	
Net loss for the year	(851,136)	(494,453)	(356,683)	

Notes

a. Revenue of the TR900 recognized on a percentage of completion basis.
b. Costs of the TR900 recognized on a percentage of completion basis.
c. Marketing expenses mainly incurred by EWILP.
d. Payroll in 2009 recognizes accrued executive back pay of $295k
e. Payroll portion of R&D expenses to April 17, 2009 only-prior to inception of Ellsin.
f. R&D costs incurred only to April 17, 2009.

g. Stock based compensation increased with the recognition of options issued during the year.
h. Gain on sale of partnership units are calculated on a cash basis less share of minority interest.
i. Loss on equity investment representing EWS 37.5% share of Ellsin.

U. Customer Reliance

The ongoing work with Ellsin Environmental Ltd. as well as past sales to the USDA and Abbott Laboratories represent initial steps toward market penetration and building a diversified business model. However, if the above noted entities either cease operations or cease using EWS equipment, it could have a negative effect on the Company's future sales efforts.

V. Liquidity and Capital Resources

($ 000's)	2009	2008	2007	2006
Working Capital (Deficiency)	(151)	17	(161)	(239)
Customer Deposits	50	0	0	67

The Company has sufficient working capital to meet its current obligations under the Prototype Agreement and expects to have proper funding in place for the duration of the project.

Until EWS 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, as will 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. All of these loans have been at commercial rates, and generally contained conversion privileges to convert to common shares of EWS at a conversion price that was greater than the fair market value when the loan was granted.

W. 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 final subscriptions of the Funding and Revenue Arrangement.

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

X. Issued Shares and Share Data, Options and Warrants

	December 31, 2009	Average Exercise Price	Average Term Remaining (years)	December 31, 2008	Average Exercise Price	Average Term Remaining (years)
Issued Common Shares	77,448,324			71,398,324		
Options outstanding	6.430,000	$0.19	2.64	5,320,000	$0.19	2.89
Warrants Outstanding	6,515,000	$0.20	1.54	2,000,000	$0.20	.35

As at the date hereof the number of common shares outstanding was 77,448,324.

Y. Related Party Transactions

Loans from related parties bore interest as follows:

($ 000's)	2009	2008
Interest Paid on Loans to Related Parties	47	49

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.

Z. Commitments, Contractual Obligations and Contingent Liabilities

The Company has no contractual obligations other than in the normal course of business.

AA. Off-Balance Sheet Arrangements

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

BB. Subsequent Events

See Section B above for a complete discussion of all material events occurring subsequent to year end.

CC. International Financial Reporting Standards

The Canadian Accounting Standards Board has confirmed January 1, 2011 as the changeover date for Canadian publicly accountable enterprises to start using International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosures.

Commencing in the first quarter of 2011, the Company's financial statements will be prepared in accordance with IFRS, with 2010 comparative figures and the January 1, 2010 opening balance sheet restated to conform with IFRS, along with reconciliations from GAAP to IFRS, as per the guidance provided in IFRS 1, First-Time Adoption of International Financial Reporting Standards.

As a result, the Company has developed an implementation plan to convert its consolidated financial statements to IFRS. The transition team plan is led by the Chief Financial Officer and reports to the Audit Committee. The Company uses an external advisor to assist in the conversion project.

The plan includes an extensive analysis of accounting differences between GAAP and IFRS and the assessment of the expected impact of the accounting differences on its consolidated financial statements. The Company continues to assess the IFRS component evaluation for those areas of the financial statements that have identified accounting differences between GAAP and IFRS. The areas with significant differences include the following:

- IFRS 1 First-time Adoption of International Financial Report Standards allows for certain optional exemptions for retroactive application of IFRS upon transition. IFRS 1 allows a Company to carry forward its previous GAAP accounting for business combinations. The Company has elected to apply this exemption, and as such, the accounting for historical business combinations will continue to apply under IFRS. In addition, IFRS 1 permits the re-designation in classification of previously recognized financial instruments as set out in IAS 39 Financial Instruments, Recognition and Measurement. The Company will continue with the current GAAP financial instrument classification under IFRS.

· IAS 12 Income Taxes requires a probability-weighted approach in determining the amount of provision required for uncertain tax positions whereas GAAP allows alternatives which are a matter of accounting policy.

· IAS 36 Impairment of Assets requires impairment to be assessed using discounted future cash flows whereas GAAP requires impairment to be assessed using non-discounted cash flows.

· IAS 16 Property, Plant and Equipment permits assets to be measured based on either a cost model or a revaluation model. Under the revaluation model, an item of property, plant and equipment is carried at a revalued amount, being the fair value at the date of the revaluation. The revaluation model does not exist under GAAP. The Company will continue to apply the cost model under IFRS.

Based on this analysis, the Company believes that there will be no material impact on its financial results.

As part of its IFRS implementation plan, the Company will continue to review the impact on its business activities, its disclosure and internal controls over financial reporting and its financial reporting systems. The Company will address the design, planning, solution development and implementation of the conversion in 2010.

DD. Fourth Quarter Analysis

The operating results of the 4th quarter of 2009 and the 2008 comparatives are contained within the quarterly charts included above. The results of the 4th quarter of 2009 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.

EE. Critical Accounting Policies, Estimates and Accounting Changes

There have not been any changes to these policies since December 31, 2009. The Company has implemented GAAP for the treatment of convertible debt.

FF. Currency & Exchange Rate Uncertainty Risk

EWS hopes to enter into agreements throughout the world. As a result, the Company will be exposed to currency fluctuations, which could negatively affect 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 EWS 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.

GG. Risks and Uncertainties

The Company is dependent upon many factors, particularly successfully obtaining new sales. Failure to achieve further sales could imperil the continued operation of EWS. 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.

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's success depends in part, on its proprietary technology which it believes it has adequately protected. However, there can be no assurance that these will not be challenged, or that competitive technologies will not arise.

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 material costs (iv) the ability to secure future financing and (v) the ability to raise additional capital if required to cover the day to day operating expenses of the Company.

While EWS has made notable progress in the current quarter, there is no assurance that this will result in continued progress or in profitability.

The preceding list is not exhaustive.

HH. Management Responsibility for Financial Reporting

The Company's December 31, 2009 audited financial statements have been prepared by management in accordance with Canadian GAAP, 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.

EWS 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. The financial statements may contain certain amounts based on estimates and judgments.

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 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 financial reporting and auditing matters.

The committee reports to the board for approval of the financial statements as well as to shareholders for the reappointment of the external auditors.

For reference purposes, please refer to the December 31, 2009 year-end financial statements, which 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.