Environmental Waste International Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2015

(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim financial statements of Environmental Waste International Inc. (“EWI” or the “Company”) for the three months ended March 31, 2015, have been prepared by management and approved by the Board of Directors of the Company. These statements have not been audited, reviewed or verified by the Company’s external auditors or any other accounting firm.

See accompanying notes to interim condensed consolidated financial statements

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INTERIM CONDENSED FINANCIAL STATEMENTS

See accompanying notes to interim condensed consolidated financial statements

Responsibility for unaudited interim consolidated financial statements

The accompanying unaudited interim consolidated financial statements for Environmental Waste International Inc. have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") consistently applied. The most significant of these accounting principles have been set out in the December 31, 2014 audited financial statements.

Auditor Involvement

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

Ajax, Ontario
May 26, 2015

Environmental Waste International Inc.
Incorporated under the laws of Ontario

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at
[Canadian Dollars]

	March 31 2015	**December 31 2014**
	$	$
ASSETS		
Current		
Cash and cash equivalents	**166,437**	207,854
Accounts receivable	**34,357**	42,933
Loans receivable *[note 4]*	**19,025**	17,402
Prepaid expenses and sundry	**60,155**	98,715
Total current assets	**279,974**	366,904
Property and equipment *[note 5]*	**1,565,515**	1,515,686
Intangible assets *[note 6]*	**560,101**	728,132
	2,405,590	2,610,722

See accompanying notes to interim condensed consolidated financial statements

Environmental Waste International Inc.
Incorporated under the laws of Ontario

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at
[Canadian Dollars]

	March 31 2015	December 31 2014
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**491,890**	402,864
Provisions *[note 7]*	**215,769**	215,769
Current portion of term loan payable *[note 8[b]]*	**57,237**	41,381
Current portion of mortgages payable *[note 8[d]]*	**15,198**	15,198
Deferred revenue	**29,911**	46,502
Total current liabilities	**810,005**	721,714
Loans payable *[note 8[a]]*	**90,330**	88,459
Term loan payable *[note 8[b]]*	**2,030,864**	2,022,315
Promissory note payable *[note 8 [c]]*	**525,323**	513,587
Mortgages payable *[note 8[d]]*	**815,529**	819,258
Total liabilities	**4,272,051**	4,165,333
Commitments and contingencies *[note 11]*		
Shareholders' equity (deficiency)		
Capital stock *[note 9]*	**45,855,872**	45,591,372
Contributed surplus *[note 9]*	**4,747,885**	4,501,298
Warrants *[note 9]*	**726,372**	894,978
Deficit	**(53,095,230)**	(52,440,899)
Equity attributable to owners of the Parent	**(1,765,101)**	(1,453,251)
Non-controlling interests	**(101,360)**	(101,360)
Total shareholders' equity (deficiency)	**(1,866,461)**	(1,554,611)
	2,405,590	2,610,722

Approved by the Board:

"Emanuel Gerard" Director

"Robert MacBean" Director

See accompanying notes to interim condensed consolidated financial statements

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[Canadian Dollars]

	Three months ended March 31 2015	Three months ended March 31 2014
	$	$
REVENUE		
Sales and other *[note 12]*	**30,111**	42,424
EXPENSES		
Operating, labour and manufacturing	**381,908**	469,862
Stock-based compensation	**57,481**	52,226
Amortization of property and equipment	**23,892**	22,867
Amortization of intangible assets	**168,031**	168,031
Finance expense - interest on loans payable	**1,871**	12,452
Finance expense - interest on term loan payable	**24,405**	—
Finance expense - interest on promissory note payable	**11,736**	—
Finance expense - interest on mortgages payable	**19,105**	19,317
Foreign exchange loss (gain)	**(3,987)**	(3,240)
	684,442	741,515
Net loss and comprehensive loss	**(654,331)**	(699,091)
Net loss and comprehensive loss attributable to:		
Shareholders	**(654,331)**	(699,091)
Non-controlling interests	**—**	—
	(654,331)	(699,091)
Loss per share - basic and diluted *[note 9]*	**(0.005)**	(0.006)
Weighted average number of shares outstanding - basic and diluted *[note 9]*	**138,268,128**	118,781,092

See accompanying notes to the interim condensed consolidated financial statements

Environmental Waste International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

Three months ended March 31 [Canadian Dollars]	Capital stock $	Contributed $	Warrants $	Equity portion of convertible loans $	Deficit $	Total attributable to owners of the owners $	Non-controlling interests $	Total $
Balance, December 31, 2014	45,591,372	4,501,298	894,978	—	(52,440,899)	(1,453,251)	(101,360)	(1,554,611)
Private placement *[note 9]*	285,000	—	—	—	—	285,000	—	285,000
Options issued *[note 9]*	—	57,481	—	—	—	57,481	—	57,481
Warrants issued *[note 9]*	(20,500)		20,500					
Warrants expired *[note 9]*	—	189,106	(189,106)	—	—	—	—	—
Net loss and comprehensive loss for the period	—	—	—	—	(654,331)	(654,331)	—	(654,331)
Balance, March 31, 2015	**45,855,872**	**4,747,885**	**726,372**	**—**	**(53,095,230)**	**(1,765,101)**	**(101,360)**	**(1,866,461)**
Balance, December 31, 2013	43,668,244	3,975,352	893,426	63,820	(49,197,042)	(596,200)	(101,360)	(697,560)
Private placement *[note 9]*	446,094	—	103,906	—	—	550,000	—	550,000
Options issued *[note 9]*	—	52,226	—	—	—	52,226	—	52,226
Warrants issued			63,820	(63,820)				
Warrants expired *[note 9]*	—	312,611	(312,611)	—	—	—	—	—
Net loss and comprehensive loss for the period	—	—	—	—	(699,091)	(699,091)	—	(699,091)
Balance, March 31, 2014	44,114,338	4,340,189	748,541	—	(49,896,133)	(693,065)	(101,360)	(794,425)

See accompanying notes to the interim condensed consolidated financial statements

Environmental Waste International Inc.

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Three months ended March 31
[Canadian Dollars]

	2015 $	2014 $
OPERATING ACTIVITIES		
Net loss for the period	**(654,331)**	(699,091)
Add (deduct) items not involving cash		
Amortization of property and equipment	**23,892**	52,226
Amoritzation of intangible assets	**168,031**	168,031
Stock-based compensation	**57,481**	22,867
Finance expense	**38,012**	—
	(366,915)	(455,967)
Changes in non-cash working capital balances related to operations		
Accounts receivable	**8,576**	93,700
Loans receivable	**(1,623)**	(625)
Prepaid expenses and sundry	**38,560**	11,957
Deferred revenue	**(16,591)**	(15,302)
Accounts payable and accrued liabilities	**89,026**	(98,167)
Cash used in operating activities	**(248,967)**	(464,404)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(73,721)**	—
Cash used in investing activities	**(73,721)**	—
FINANCING ACTIVITIES		
Net proceeds from issuance of common stock on private placement	**285,000**	550,000
Repayment of loans payable	**(3,729)**	(3,520)
Cash provided by financing activities	**281,271**	546,480
Net increase in cash during the period	**(41,417)**	82,076
Cash and cash equivalents, beginning of period	**207,854**	130,044
Cash and cash equivalents, end of period	**166,437**	212,120

See accompanying notes to the interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Environmental Waste International Inc. (“EWI”) is incorporated under the Ontario Business Corporations Act and is listed on the TSX Venture Exchange under the symbol EWS. The Company's business is the design, development and sale of environmentally sound devices utilizing EWI's patented Reverse Polymerization process and dealing with environmental waste disposal, including the development, advancement, licensing and sale of its technology and related machines throughout the world. The Company's registered office is located at 360 Frankcom Street, Ajax, Ontario, L1S 1R5.

The Company’s success depends on the completion and commercialization of its Reverse Polymerization technology. There is no assurance that EWI will be successful in the completion and development and commercialization of this process. Based on its current operating and financial plans, management of the Company believes that they can successfully obtain additional financing to enable it to continue operations. In the absence of additional financing, the Company is not expected to have sufficient funds to meet its obligations. Management continues to monitor the cash needs and is considering various alternatives to raise additional financing. There can be no assurances that the Company will be able to secure the necessary financing. Accordingly, the financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of the Company to continue as a going concern.

2. BASIS OF PREPARATION

[a] Statement of compliance

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards 34 “Interim Financial Reporting” (“IAS 34”). The notes presented in these unaudited interim condensed consolidated financial statements include only significant events and transactions occurring since our last fiscal year end and are not fully inclusive of all matters required to be disclosed in our annual audited consolidated financial statements.

The policies applied in these unaudited interim condensed consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Board of Directors approved the interim condensed consolidated financial statements on May 26, 2015
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[b] Basis of measurement

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain instruments that are measured at fair value.

[c] Functional and presentation currency

These unaudited condensed consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The Company’s principal accounting policies were outlined in the Company’s annual audited consolidated financial statements for the year ended December 31, 2014 and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements. These statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2014.

[a] Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and the following subsidiaries: Environmental Waste Management Corporation [100% equity interest], Jaguar Carbon Sales Limited [100% equity interest], Ellsin [100% equity interest], EWI Rubber Inc. [100% equity interest], 2228641 Ontario Limited [100% equity interest] and EWILP [Company is primary beneficiary]. The ultimate parent of the Company is Environmental Waste International Inc.

[b] New standards and interpretations not yet effective

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. It is not expected that this amendment would be relevant to the Company, since none of the entities within the Company has defined benefit plans.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

4. LOAN RECEIVABLE

Loan receivable consists of the following:	March 31 2015 $	December 31 2014 $
Loan receivable, with interest at 12% per annum, was repayable on October 11, 2013.	**19,025**	17,402

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Land $	Building $	Fixture $	Computer equipment $	equipment $	Equipment - gas engine $	Total $
Cost							
As at December 31, 2013	68,261	984,994	71,060	36,725	26,735	719,169	1,906,944
Additions	—	—	—	—	11,731	—	11,731
As at December 31, 2014	68,261	984,994	71,060	36,725	38,566	719,169	1,918,775
Additions	—	—	—	—	73,721	—	73,721
As at March 31, 2015	**68,261**	**984,994**	**71,060**	**36,725**	**112,287**	**719,169**	**1,992,496**
Accumulated amortization							
As at December 31, 2013	—	111,601	14,211	27,507	15,085	142,242	310,696
Amortization charge	—	34,936	4,737	2,766	2,009	47,945	92,393
As at December 31, 2014	—	146,537	18,948	30,273	17,094	190,237	403,089
Amortization charge	—	8,384	1,184	484	1,853	11,986	23,892
As at March 31, 2015	—	**154,921**	**20,132**	**30,757**	**18,947**	**202,223**	**426,981**
Net book value							
As at March 31, 2015	**68,261**	**830,073**	**50,928**	**5,968**	**93,340**	**516,946**	**1,565,515**
As at December 31, 2014	68,261	838,457	52,112	6,452	21,472	528,932	1,515,686

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Technology rights $	Acquired in-process development $	Marketing rights $	Total $
Cost				
As at December 31, 2013	500,000	2,750,000	610,610	3,860,610
Additions	—	—	—	—
As at December 31, 2014	500,000	2,750,000	610,610	3,860,610
Additions	—	—	—	—
As at March 31, 2015	**500,000**	**2,750,000**	**610,610**	**3,860,610**
Accumulated amortization				
As at December 31, 2013	500,000	1,604,167	356,189	1,788,234
Amortization charge	—	550,000	122,122	672,122
As at December 31, 2014	500,000	2,154,167	478,311	3,132,478
Amortization charge	—	137,500	30,531	168,031
As at March 31, 2015	**500,000**	**2,291,667**	**508,842**	**3,300,509**
Net book value				
As at March 31, 2015	—	**458,333**	**101,768**	**560,101**
As at December 31, 2014	—	595,833	132,299	728,132

There is one main research and development project: the TR900 tire recycling prototype. To date, management has determined that the related development costs that are not eligible for capitalization have been expensed and are recognized in operating, labour and manufacturing expenses. During the three months ended March 31, 2015 a total of $27,740 [2014 – $76,943] was recognized in operating, labour and manufacturing expenses related to development costs.

7. PROVISIONS

The provision balance consists of an accrual of one year's annual salary to former senior management of the Company. The Company was party to a claim made by former senior management whose employment was terminated on March 1, 2013, who is seeking four years severance pay in the amount of $1,020,000 *[note 11[b]]*. Management believes that this claim for 48 months of pay is inflated and without merit and has provided for one year's salary of $255,000, less amounts already paid of $39,231, or a net amount of $215,769, as the Company believes the likelihood of payout of this amount is probable.

8. LOANS AND BORROWINGS

[a] Loans payable consist of the following:

	March 31, 2015 $	**December 31, 2014** $
Fixed rate loans due to directors of the Company, with interest at 8% per annum, repayable on April 30, 2017	**90,330**	88,459
Less current portion	**—**	**—**
	90,330	**88,459**

The loans represent loans payable to current directors of $84,000 plus interest accretion of $6,330 totaling $90,330 at March 41, 2015 and $88,459 at December 31, 2014. The loans mature on April 30, 2017, with interest accruing at 8% per annum quarterly in arrears calculated on outstanding principal, capitalized over the term of the loan and payable in cash at maturity.

[b] Loan payable consists of the following:

	March 31, 2015 $	**December 31, 2014** $
Fixed rate, non-revolving term loan from the Northern Ontario Heritage Fund Corporation ("NOHFC"), with interest at 4% per annum, repayable by March 23, 2020	**2,088,101**	2,063,696
Less current portion	**57,237**	41,381
	2,030,864	2,022,315

During fiscal 2014, the Company signed a second amendment to the term loan agreement agreeing to defer payments that were due to commence on April 1, 2013. Payments in respect of interest or principal due during the period from April 1, 2013 to April 30, 2015 are deferred until April 30, 2017. During this period, interest will accrue on the outstanding principal amount of the loan, compounded monthly. During the period May 1, 2015 to April 30, 2017, the Company will make interest-only payments on the loan in the amount of $13,334 per month, representing $6,667 in respect of interest accruing during the period from April 1, 2013 to April 30, 2015 and $6,667 in respect of regular interest payable. Commencing May 1, 2017, monthly blended payments of principal and interest shall commence on the first day of each month until maturity.

The loan is collateralized by a general security agreement covering all of the assets of Ellsin Environmental Ltd., a subsidiary of the Company [“Ellsin”], except real property and an assignment of all risks and fire insurance on the subject properties.

[c] Promissory note payable consists of the following:

	March 31 2015 $	December 31 2014 $
Promissory note payable, with interest at 8% per annum, repayable on April 30, 2017	**525,323**	513,587
Less current portion	**—**	—
	525,323	513,587

During fiscal 2014, the Company received proceeds of $500,000 from issuance of a promissory note and granting of 500,000 share purchase warrants. The company bifurcated the equity instrument (share purchase warrants) from the financial liability (the promissory note payable). The promissory note payable was determined to be $483,529 using the effective interest rate method and the residual of the proceeds of $16,471 was allocated to warrants *[see note 9]*. Interest will accrue at a rate of 8% per annum quarterly in arrears, calculated on outstanding principal. Interest will be capitalized over the term of the loan and payable in cash at maturity.

[d] Mortgages payable consist of the following:

	March 31 2014 $	December 31 2014 $
Fixed rate first mortgage, ten-year amortization period, with interest at 6% per annum, calculated monthly, repayable by August 1, 2020	**95,727**	99,456
Fixed rate second mortgage, eight-year amortization period, with interest at 12% per annum, repayable in full on April 15, 2017	**735,000**	735,000
	830,727	834,456
Less current portion	**15,198**	15,198
	815,529	819,258

The collateral for the above mortgages is as follows:

[i] First mortgage

A fixed and floating charge on the business assets of Ellsin by way of a General Security Agreement subordinate to the NOHFC, covering all assets other than real property.

[ii] Second mortgage

Second charge on the property, subordinate to the first charge of $95,727 of Community Development Corporation of Sault Ste. Marie.

[iii] Principal repayments over the next five years and thereafter are as follows:

	$
2015	15,198
2016	16,122
2017	752,130
2018	18,187
2019 and thereafter	29,090
	830,727

9. SHARE CAPITAL AND RESERVES

	Number of shares #	Amount $
Authorized		
Unlimited common shares		
Issued and outstanding		
Balance, December 31, 2013	115,776,463	43,668,244
Private placements [1]	19,641,664	2,157,000
Warrants issued [1]	—	(233,872)
Balance, December 31, 2014	135,418,128	45,591,372
Private placements [2]	2,850,000	285,000
Warrants issued [2]	—	(20,500)
Balance, March 31, 2015	**138,268,128**	**45,855,872**

The Company has placed a stop-trade order on 560,000 of the issued and outstanding shares for shares to be returned to the Company.

[1] On January 31, 2014, the Company closed a private placement for 4,583,333 Units with gross proceeds of $550,000, less agent's fees of nil. Each Unit consists of one common share and 0.50 of a share purchase warrant. A whole share purchase warrant allows for the purchase of one additional common share of EWI at a price of $0.21 per share through to January 31, 2016. All shares issued in the private placement were subject to a hold period that expired on May 31, 2014.

On May 30, 2014, the Company closed a private placement for 5,058,332 Units with gross proceeds of $607,000, less agent's fees of nil. Each Unit consists of one common share and 0.50 of a share purchase warrant. A whole share purchase warrant allows for the purchase of one additional common share of EWI at a price of $0.21 per share through to May 30, 2016. All shares issued in the private placement were subject to a hold period that expired on September 30, 2014.

On September 22, 2014, the Company closed a private placement for 10,000,000 Units with gross proceeds of $1,000,000, less agent's fees of nil. Each Unit consists of one common share. All shares issued in the private placement were subject to a hold period that expired on January 22, 2015.

[2] On March 11, 2015, the Company closed in escrow a private placement for 2,850,000 Units with gross proceeds of $285,000, less agent's fees of nil. Each Unit consists of one common share and 0.15 of a share purchase warrant. A whole share purchase warrant allows for the purchase of one additional common share of EWI at a price of $0.10 per share through to March 31, 2017. All shares issued in the private placement were subject to a hold period that expires on July 11, 2015.

Share-based payment plans

The Board of Directors has established a stock option plan (the "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 date of grant of the options, on the stock exchange on which such shares are then traded.

Subject to the guidelines contained in the Plan, the Company has adopted a 10% rolling stock option plan (the "New Plan") dated May 6, 2013 and approved by the Board of Directors on May 9, 2013 and by the shareholders of the Company on June 11, 2013, pursuant to which the Board of Directors may, from time to time, authorize the issuance of options to directors, employees, officers and consultants of the Company and its subsidiaries to a maximum of 10% of the issued and outstanding Common Shares at the time of the grant. In accordance with the rules and policies of the TSX Venture Exchange, rolling stock option plans must be re-approved by shareholders on an annual basis and management will be asking shareholders to confirm, ratify and re-approve the New Plan at the next Annual General and Special Meeting of the shareholders on June 29, 2015.

The following options to purchase shares were outstanding on March 31, 2015 and December 31, 2014:

	2015		2014	
	Number of options #	**Weighted average exercise price** $	**Number of options** #	**Weighted average exercise price** $
Balance, beginning of period	**10,415,000**	**0.15**	6,835,000	0.22
Expired	-	-	(1,000,000)	(0.26)
Forfeited	-	-	(3,580,000)	(0.15)
Granted	-	-	8,160,000	0.10
Balance, end of period	**10,415,000**	**0.15**	10,415,000	0.15

	Outstanding and exercisable stock options		
Range of exercise prices $	**Number of options** #	**Weighted average remaining contractual life** [years]	**Weighted average exercise price** $
Less than 0.20	8,025,000	4.49	0.11
0.20 - 0.29	1,515000	1.94	0.23
0.30 - 0.40	875,000	0.89	0.36
	10,415,000	**3.85**	**0.14**

During the three months ended March 31, 2015 the Company did not grant any stock options. The Company used the following assumptions to estimate the fair value of options granted for the year ended December 31, 2014 which were estimated on the date of grant using the Black-Scholes option pricing model: expected dividend yield of 0%; expected volatility of 131% to 144%; risk-free interest rates of 1.3% to 1.57% and an average expected life of five years. The resulting stock-based compensation expense based on options granted and vesting during the three months ended March 31, 2015 was $57,481 [2014 - $52,226].

Warrants

On January 14, 2014 the Company amended the terms of the 3,000,000 share purchase warrants issued on January 31, 2012. Each warrant entitled the holder to acquire one common share of the Company at $0.50 for a period of two years. The amendment resulted in 2,900,000 of the warrants being cancelled with the remaining 100,000 warrants being amended such that the exercise price was reduced to $0.21 and the expiry date extend to January 31, 2016. Should the closing price of the Company's shares be $0.25 or higher for ten consecutive trading days, the expiry of the warrants will be accelerated to the 30th day following such occurrence.
On January 31, 2014, the Company issued 2,291,667 share purchase warrants. Each warrant entitles the holder to acquire an additional common share at $0.21 per share and expires on January 31, 2016.

On March 10, 2014, the Company issued 798,000 share purchase warrants to holders of previously issued convertible loans in the aggregate amount of $497,000 *[see note 8(a)]*. Each warrant entitles the holder to acquire an additional common share at $0.21 per share and expires on April 30, 2015. The Company transferred $63,820 representing the carrying value of the amount that was added to shareholders' equity from Equity Component of Convertible Loans to Warrants.

On April 30, 2014, the Company issued 500,000 share purchase warrants to the holder of the promissory note in consideration for providing the new debt of $500,*000 [see note 8c]*. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.20 per share on or before April 30, 2017.

On May 30, 2014, the Company issued 2,529,166 share purchase warrants. Each warrant entitles the holder to acquire an additional common share at $0.21 per share and expires on May 30, 2016.

On March 11, 2015, the Company issued 427,500 share purchase warrants. Each warrant entitles the holder to acquire an additional common share at $0.10 per share and expires on March 31, 2017.

On March 14, 2015, 2,212,500 share purchase warrants that entitled the holder to acquire an additional common share at $0.35 per share expired. The value of these warrants of $189,106 was transferred from warrants to contributed surplus.

A summary of the status of the Company's warrants and changes during the year are as follows:

	Number #	**Weighted average exercise price** $
Balance, December 31, 2013	9,615,833	0.33
Expired	(3,000,000)	(0.50)
Issued	6,218,833	0.21
Outstanding, December 31, 2014	12,834,666	0.26
Expired	(2,212,500)	(0.35)
Issued	427,500	0.10
Outstanding, March 31, 2015	**11,049,666**	**0.20**

A summary of warrants outstanding and exercisable as at March 31, 2015 is set out below:

	Outstanding and exercisable warrants		
Exercise prices	**Number of warrants**	**Weighted average remaining contractual life**	**Weighted average exercise price**
$	#	[years]	$
0.00 – 0.10	427,500	2.0	0.10
Less than 0.10 to 0.20	3,098,000	2.6	0.18
Less than 0.20 to 0.30	7,524,166	0.85	0.21
	11,049,666	**1.39**	**0.20**

The fair values of warrants granted in the three months ended March 31, 2015 were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 189% [2014 – 158%] risk-free interest rates of 0.46 % [2014 – 1.28%] and an average expected life of two years.

Reconciliation:

	Number	**Amount**
	#	$
Balance, December 31, 2013	9,615,833	893,426
Expired during the period	(3,000,000)	(312,611)
Warrants granted	6,218,833	314,163
Balance, December 31, 2014	12,834,166	894,978
Expired during the period	(2,215,500)	(189,106)
Warrants granted	427,500	20,500
Balance, March 31, 2015	**11,049,666**	**726,372**

Contributed surplus

	2015	**2014**
	$	$
Balance, beginning of period	**4,501,298**	3,975,352
Stock options granted and/or vested during the period		
Stock options issued	**57,481**	52,226
Stock options exercised during the year	**-**	
Warrants expired during the period	**189,106**	312,611
Balance, end of period	**4,747,885**	4,340,189

Per share amounts

For the three month period ended March 31, 2015 the weighted average number of shares outstanding was 138,268,128 [2014 – 118,781,092]. As at March 31, 2015, the Company had 10,415,000 [December 31, 2014 – 10,415,000] stock options, 11,049,666 warrants [exercisable for 11,049,666 shares] [Dec 31, 2014 – 12,834,666 warrants [exercisable for 12,834,666 shares] and no convertible debt [2014 – nil] [that were outstanding and anti-dilutive and therefore were excluded from the computation of diluted loss per share.

10. RELATED PARTY DISCLOSURES

[a] Subsidiaries and ultimate parent

The consolidated financial statements include the results of the Company and the following subsidiaries: Environmental Waste Management Corporation [100% equity interest], Jaguar Carbon Sales Limited [100% equity interest], Ellsin [100% equity interest], EWI Rubber Inc. [100% equity interest], 2228641 Ontario Limited [100% equity interest] and EWILP [consolidated structured entity].

[b] Transactions with related parties other than key management personnel

During the three months ended March 31, 2015, the Company engaged in transactions in the normal course of operations with the following related parties. All of these transactions have been accounted for at the exchange amount agreed to by the transacting parties as follows:

Interest paid to the directors totaled $13,160 [2014 – $13,350].

[c] Transactions with key management personnel

The Company recognized as an expense during the three months ended March 31, 2015 salaries and benefits of $89,331 [2014 – $108,500] and share-based payment transactions of $20,330 [2014 – $47,545] with respect to key management personnel.

Proceeds from key management personnel as part of the private placements during the three months ended March 31, 2015 amounted to $10,000 [2013 – nil]. Key management personnel were issued 100,000 shares [2014-nil] and 15,000 warrants [2014-nil].

In addition, proceeds from directors as part of private placements during the three months ended March 31, 2015 amounted to $25,000 [2014-nil]. The directors were issued 250,000 shares [2014-nil] and 37,500 warrants [2014-nil].

11. COMMITMENTS AND CONTINGENCIES

[a] Commitments

The Company is committed under a long-term lease for premises which expires on August 31, 2017.Future approximate minimum lease payments for the ensuing five years excluding the estimated tenant's share of operating expenses and realty taxes required under leases for the rental of premises are as follows:

	$
2015	85,624
2016	85,624
2017	57,082

[b] Contingencies

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 consolidated financial statements with respect to any indemnifications.

During the ordinary course of business activities, the Company may be party to claims and may be contingently liable for litigation. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse effect on the consolidated financial position of the Company.

During the year, the former president and CEO whose employment was terminated on March 1, 2013 commenced an action against the Company wherein he is seeking four years of severance pay in the amount of $1,020,000. Management believes that the claim for 48 months is without merit and has provided for $215,769, which represents one year's salary of $255,000 less amounts already paid of $39,231 for a net of $215,769 *[see note 7]*, as the Company believes the likelihood of payout of this amount is probable.

On July 21, 2014, the Company announced that Environmental Waste International Limited Partnership ("EWILP") commenced a lawsuit seeking injunctive relief to prevent the Company from interfering with certain intellectual property rights which EWILP purports belong to it. In 2007, the Company sold certain intellectual property rights to EWILP which were immediately licensed back to the Company. No specific amount was claimed as damages. Management denies all allegations and believes that this claim is without merit and plans to defend this action.

12. SEGMENT INFORMATION

The Company is organized into one operating segment. Management monitors the operating results of the Company on this basis. The following represents geographic information:

Revenue from external customers

	2015	**2014**
	$	$
Canada	**-**	-
United States	**30,111**	42,424
	30,111	42,424

Revenue from one customer amounted to $30,111 [2013 – $42,424].

Non-current assets

All of the Company's non-current assets are located in Canada.