



CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

Management's Responsibility for Financial Statements

The management of Environmental Waste International Inc. is responsible for the preparation and integrity of the accompanying consolidated financial statements and all other information contained in these consolidated financial statements. These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and include amounts that are based on management's informed judgments and estimates where necessary.

The Company maintains internal accounting control systems which are adequate to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and accounting records are reliable as a basis for the preparation of the consolidated financial statements.

The Board of Directors, through its Audit Committee, monitors management's financial and accounting policies and practices and the preparation of these consolidated financial statements. The Audit Committee meets periodically with the external auditors and management to review the work of each and the propriety of the discharge of their responsibilities. Specifically, the Audit Committee reviews with management and the external auditors the consolidated financial statements and management's discussion and analysis of the Company prior to submission to the Board of Directors for final approval. The external auditors have full and free access to the Audit Committee to discuss auditing and financial reporting matters. The shareholders have appointed Jones & O'Connell LLP as the external auditors of the Company in 2022 and, in that capacity, they have examined the consolidated financial statements for the year ended December 31, 2023 and 2022.

"Kelli Harrington"

Kelli Harrington

Chief Executive Officer

"Gary Nobrega"

Gary Nobrega

Chief Financial Officer

April 29, 2024

Independent Auditor's Report

To the Shareholders of **Environmental Waste International Inc.**

Opinion

We have audited the consolidated financial statements of **Environmental Waste International Inc.** ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022 and the consolidated statements of net loss and comprehensive loss, consolidated statements of net changes in shareholders' deficit and consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Environmental Waste International Inc.** as at December 31, 2023 and December 31, 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the consolidated financial statements, which indicates that the Company has incurred a net loss for the year of \$1,860,727, had working capital deficiency of \$4,643,205 and cumulative deficit of \$70,400,079. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of Material Uncertainty Related to Going Concern

Description of the matter

We draw attention to Note 3 to the consolidated financial statements. At each reporting date, the Company assesses its ability to continue as a going concern. Whether the Company is able to continue as a going concern is a significant management judgment.

Why the matter is a key audit matter

We identified the evaluation of the Company's ability to continue as a going concern as a key audit matter. This matter represented an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter included the following:

We evaluated the appropriateness of the Company's key strategy to resolve the situation given the current financial position and cash flows from operations.

Independent Auditor's Report

To the Shareholders of Environmental Waste International Inc. (Continued)

Key Audit Matters (Continued)

Valuation of Self-Constructed Asset

Description of the matter

We draw attention to Note 5 to the consolidated financial statements. Certain wages have been capitalized to asset under construction. The amount capitalized is requires significant management judgement.

Why the matter is a key audit matter

We identified the valuation of the self-constructed asset as a key audit matter because it represents an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter included the following:

We evaluated the appropriateness of the Company's policy for capitalization and performed increase testing in this area.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the information included Management's Discussion and Analysis. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Environmental Waste International Inc. (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or condition may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants
St. Catharines, Ontario
April 29, 2024

Environmental Waste International Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

<i>(Canadian \$)</i>	Note	Decemberr 31, 2023	December 31, 2022
Assets			
Current assets			
Cash		56,267	53,792
Government remittances recoverable		11,685	31,713
Prepaid expenses and sundry		136,591	127,700
Total current assets		204,543	213,205
Non-current assets			
Property and equipment, net	5	2,793,950	2,483,078
Right-of-use asset	6	57,719	87,816
Total non current assets		2,851,669	2,570,894
Total Assets		3,056,212	2,784,099
Liabilities and shareholders' deficiency			
Current			
Accounts payable and accrued liabilities		1,248,934	938,174
Current portion of lease liability	7	36,728	31,840
Current portion of long term debt	8	3,442,086	3,277,770
Total current Liabilities		4,727,748	4,247,784
Lease liability	7	38,262	75,142
Long term debt	8	994,972	838,129
Total non-current Liabilities		1,033,234	913,271
Total Liabilities		5,760,982	5,161,055
Shareholders' deficiency			
Capital stock	10	58,466,871	57,427,142
Contributed surplus	11d	8,334,383	7,841,199
Deficit		(70,400,079)	(68,572,139)
Shareholders' deficit attributable to the parent		(3,598,825)	(3,303,798)
Non-controlling interest	12	894,055	926,842
Total shareholders' deficit		(2,704,770)	(2,376,956)
Total liabilities and shareholders' deficit		3,056,212	2,784,099
Going concern	3		
Commitment and contingencies	18		
Subsequent events	20		

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board of Directors

"Paul Orlin"
Paul Orlin
 Director

"Robert MacBean"
Robert MacBean
 Director

Environmental Waste International Inc.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the years ended December 31

<i>(Canadian \$ except per share information)</i>	Note	2023	2022
Expenses			
Technology development	13	356,082	496,233
Plant operations	13	94,657	121,863
Selling, marketing and administration	13	874,389	987,750
Stock-based compensation	11	248,228	430,559
Depreciation of property plant and equipment	5	82,786	84,556
Amortization of right-of-use asset	6	30,097	30,097
		1,686,239	2,151,058
Operating loss		(1,686,239)	(2,151,058)
Other income (expenses)			
Other income	14	82,500	—
Finance costs	14	(260,467)	(204,781)
Foreign exchange gain (Loss)		3,479	(25,666)
Change in fair value of derivative	9	—	90,214
		(174,488)	(140,233)
Net loss and comprehensive loss for the year		(1,860,727)	(2,291,291)
Net loss and comprehensive loss attributable to parent			
		(1,827,940)	(2,259,581)
Net loss and comprehensive loss attributable to non-controlling interest			
	12	(32,787)	(31,710)
Loss per share			
Basic and diluted	15	(0.01)	(0.01)

The accompanying notes are an integral part of these consolidated financial statements

Environmental Waste International Inc.

CONSOLIDATED STATEMENTS OF NET CHANGES IN SHAREHOLDERS' DEFICIT

(Canadian \$ except per share information)	Note	Capital stock	Contributed surplus	Deficit	Attributable to parent	Non-controlling interest	Total
January 1, 2022		56,997,868	7,019,123	(66,312,558)	(2,295,567)	958,552	(1,337,015)
Shares issued pursuant to private placement	10a	431,475	—	—	431,475	—	431,475
Warrants issued pursuant to private placement	10a	—	393,525	—	393,525	—	393,525
Stock compensation expense		—	430,559	—	430,559	—	430,559
Share issue costs		(2,201)	(2,008)	—	(4,209)	—	(4,209)
Net loss and comprehensive loss for the year		—	—	(2,259,581)	(2,259,581)	(31,710)	(2,291,291)
December 31, 2022		57,427,142	7,841,199	(68,572,139)	(3,303,798)	926,842	(2,376,956)
Shares issued pursuant to private placement	10b	417,091	—	—	417,091	—	417,091
Warrants issued pursuant to private placement	10b	—	244,956	—	244,956	—	244,956
Shares issued pursuant to settlement of accounts payable	10c	50,000	—	—	50,000	—	50,000
Shares issued pursuant to settlement of promissory notes	10d	572,638	—	—	572,638	—	572,638
Stock-based compensation	11	—	248,228	—	248,228	—	248,228
Net loss and comprehensive loss for the year		—	—	(1,827,940)	(1,827,940)	(32,787)	(1,860,727)
December 31, 2023		58,466,871	8,334,383	(70,400,079)	(3,598,825)	894,055	(2,704,770)

The accompanying notes are an integral part of these consolidated financial statements

Environmental Waste International Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

<i>(Canadian \$ except per share information)</i>	Note	2023	2022
Operating activities			
Net loss		(1,860,727)	(2,291,291)
Adjustments for:			
Stock-based compensation	11	248,228	430,559
Depreciation of property and equipment	5	82,786	84,556
Amortization of right-of-use asset	6	30,097	30,097
Finance costs		238,433	193,004
Accretion expense	8a	9,870	9,058
Change in fair value of derivative	9	—	(90,214)
		(1,251,313)	(1,634,231)
Changes in non-cash working capital			
Trade and other receivables		—	102,837
Government remittances recoverable		20,028	(10,687)
Prepaid expenses and sundry		(8,891)	(32,596)
Accounts payable and accrued liabilities		360,759	425,470
Cash used in operating activities		(879,417)	(1,149,207)
Investing activities			
Purchase of property and equipment	5	—	(6,435)
Additions to construction in progress	5	(393,658)	(529,762)
Cash used in investing activities		(393,658)	(536,197)
Financing activities			
Proceeds from private placement	8b	662,047	825,000
Proceeds from issuance of promissory notes	8c	683,535	689,239
Share and warrant issuance costs		—	(4,209)
Repayments of mortgage		(30,000)	(30,000)
Repayments of lease obligations		(40,032)	(38,069)
Cash provided by financing activities		1,275,550	1,441,961
Net increase (decrease) in cash		2,475	(243,443)
Cash, beginning of year		53,792	297,235
Cash, end of year		56,267	53,792

The accompanying notes are an integral part of these consolidated financial statements

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

1. CORPORATE INFORMATION

Environmental Waste International Inc. (“EWI” or the “Company”) was incorporated under the Ontario Business Corporations Act on October 31, 1987. 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 1751 Wentworth Street, Unit 1, Whitby, Ontario, L1N 8R6.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements of EWI have been prepared in accordance with International Financial Reporting Standards (IFRS). The notes presented in these consolidated financial statements include only significant events and transactions occurring since the last fiscal year end. The policies applied in these consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis. These consolidated financial statements are presented in Canadian dollars.

3. GOING CONCERN ASSUMPTION

The consolidated financial statements have been prepared on a basis that assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. These audited annual consolidated financial statements do not reflect any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company incurred a net loss during the year ended December 31, 2023 of \$1,860,727 (2022 - \$2,291,291) and, as at that date, had working capital deficiency for of \$4,643,205 (December 31, 2022 – \$4,034,579) and a cumulative deficit of \$70,400,079 (December 31, 2022 – \$68,572,139).

Recurring sources of revenue have not yet proven to be sufficient as the commercialization of the Company’s core technology is at an early stage and the Company has not yet achieved a level of profitability and positive cash flows. While the Company has been successful in raising additional financing and extending the repayment terms for deferred compensation, it will require 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 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 to enable it to continue as a going concern. The factors noted above indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern. If the going concern basis is not appropriate, material adjustments may be necessary to the carrying amounts and/or classification of assets and liabilities.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and the following subsidiaries at the following ownership percentages: Environmental Waste Management Corporation (100%), Ellsin Environmental Ltd. (90%) EWI Rubber Inc. (100%) Jaguar Carbon Sales Limited (100%), and 2228641 Ontario Limited (100%). The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at and for the years ended December 31, 2022 and 2021. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee [i.e., existing rights that give it the current ability to direct the relevant activities of the investee];
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

b) Revenue recognition

Revenue is measured based on the value of the expected consideration in a contract with a customer. The Company recognizes revenue using a 5-step process including:

1. Identification of the contract, or contracts with the customer;
2. Identification of the performance obligations in the contract;
3. Determination of the transaction price;
4. Allocation of the transaction price to the performance obligations in the contract; and
5. Recognition of revenue when or as the Company satisfies the performance obligation.

A contract asset is recognized in the consolidated financial statements of financial position when the Company's right to consideration from the transfer of products or services to a customer is conditional on its contractual obligation to transfer other products or services. Contract assets are transferred to trade receivables when the Company's right to consideration becomes conditional only as to the passage of time.

A contract liability is recognized in the consolidated financial statements of financial position when the Company receives consideration in advance of the transfer of products or services to the customer. Contract assets and

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

liabilities relating to the same contract are presented on a net basis. Incremental costs of obtaining a contract with a customer, principally comprised of sales commissions and prepaid contract fulfillment costs, are included in contract costs in the statements of financial position, except where the amortization period is one year or less, in which case costs of obtaining a contract are immediately expensed. Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

Service revenue

The Company enters into contracts that contain multiple services such as combined maintenance and support contracts. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue is allocated to each performance obligation based on their estimated standalone selling price ("SSP").

The Company recognizes revenue when the transfer of control of the promised products or services has occurred. Maintenance and support revenue is recognized over the term of the maintenance agreement. The Company defers revenues that have been billed but which do not meet the revenue recognition criteria. Cash received in advance of revenue being recognized is classified as contract liabilities.

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial assets, interest income is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statements of loss and comprehensive loss.

c) Financial instruments

Financial assets

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in the consolidated statements of loss and comprehensive loss when incurred.

The Company's financial assets include cash and accounts receivable. All of the Company's financial assets are classified as being measured at amortized cost.

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired; and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement.

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions, and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets’ contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated balance sheet as a deduction from the gross carrying amount of the financial asset. Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Financial liabilities

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

After initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Compound financial liabilities and embedded derivatives

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount. Financial instruments recorded at fair value in the statement of financial position are classified according to a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The financial instruments that are measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The derivative liability is classified as level 3 in the fair value hierarchy.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statements of loss and comprehensive loss.

d) Cash

Cash in the consolidated statements of financial position comprise cash held at banks and on hand.

e) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property and equipment. Repairs and maintenance are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on property and equipment, other than land, at rates designed to charge the cost of the assets over their estimated useful lives, as follows:

Building	4% declining balance
Leasehold improvements	5 years straight-line, over term of the lease
Equipment – gas engine	15 years straight-line
Office and equipment	
• Fixtures	15 years straight-line
• Office equipment	20% straight-line
• Computer equipment	30-55% declining balance

The assets' residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate.

f) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an Construction in progress or an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of the asset begins when development is complete and the asset is available for use. The asset is amortized over the period of expected future benefit. Amortization is recorded in the consolidated statements of loss and comprehensive loss in the expense category consistent with the function of the asset. During the period of development, the asset is tested for impairment annually.

4. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

g) Impairment of non-financial assets

The Company determines at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's ["CGU's"] fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount which is the higher of value in use or fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated for valuation multiples or other available fair value indicators. Impairment losses are recognized in the consolidated statements of loss and comprehensive loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date of whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If an indication exists, the Company estimates the asset or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

h) Loss per share

Loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed, using the treasury stock method, to show the potential reduction in earnings per share that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. In the Company's case, these potential issuances are "anti-dilutive" as they would decrease the loss per share; consequently, the amounts calculated for basic and diluted loss per share are the same.

i) Share-based payment transactions

Stock options

Employees [including senior executives] of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments [equity-settled transactions]. The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of loss and comprehensive loss expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in operating expenses. No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified if the original terms of the award are met. An additional expense is

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of recognition and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and designated as replacement awards on the date of grant, the cancelled and new awards are treated as if they were a modification of the original awards, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Warrants

The Company issues warrants as part of brokered and non-brokered private placement offerings for common shares or as part of other compensation. Warrants are measured at fair value at the date of the offering and accounted for as a separate component of shareholders' deficiency. When the warrants are exercised, the proceeds received together with the related amount allocated as a separate component of shareholders' deficiency are allocated to capital stock. If the warrants expire unexercised, the related amount separately allocated to shareholders' deficiency is allocated to contributed surplus.

j) 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.

k) Leases and Right-of-Use ("ROU") Assets

The Company assesses at the inception of contract, whether it contains a lease. A contract is classified as a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses:

- Whether the contract involves the use of an identified asset. This can be specified explicitly or implicitly and should be physically distinct or represents substantially all of the capacity of a physically distinct asset.
- Whether the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- Whether the Company has the right to direct use of the asset. The Company has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct use of the asset if either:
 - The Company has the right to operate the asset; or
 - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

The Company recognizes a ROU asset and lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any indirect costs incurred. The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined using the same criteria as those for property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses and adjusted for certain remeasurements of the lease liability, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Company's incremental borrowing rate.

Leases are classified as either finance 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 finance leases. At the time a finance lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under finance leases is amortized on the same basis as described above. Operating lease payments are recognized as an operating expense in the consolidated statements of loss and comprehensive loss on a straight-line basis over the lease term.

l) Investment tax credits ["ITCs"] and government grants

Refundable ITCs are accounted for as a reduction in the cost of the related asset or expense where there is reasonable assurance that such credits will be realized. Government grants are recognized when there is reasonable assurance that the grant will be received, and all attached conditions will be complied with.

When the grant relates to an expense item, it is deducted from expenses. When the grant relates to an asset, it is deducted from the cost of the related asset. Government grants related to forgivable portion of loans is recorded as other income. If a grant becomes repayable, the inception-to-date impact of the assistance previously recognized in income is reversed immediately in the period that the assistance becomes repayable.

m) Foreign currency translation

The Company's consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. Monetary assets and liabilities denominated in foreign currencies are converted to Canadian dollars at the appropriate rates of exchange prevailing at the consolidated statement of financial position dates while other assets and liabilities are converted at the rates of exchange applicable at the dates acquired or incurred.

Revenue 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 loss and comprehensive loss as they arise.

n) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

4. SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction, either in other comprehensive loss or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenue, expenses and assets are recognized net of the amount of sales tax. The net amount of sales tax recoverable from or payable to the taxation authority is included as part of receivables or payables in the consolidated statements of financial position.

o) Recent accounting pronouncements

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of these consolidated financial statements include:

International Accounting Standard 1 “Presentation of Financial Statements”, (“IAS 1”) has been amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The Amendment to IAS 1 is effective for years beginning on or after January 1, 2023.

International Accounting Standard 1 “Presentation of Financial Statements”, (“IAS 1”) has been amended to clarify how to classify debt and other liabilities as either current or non-current. The amendment to IAS 1 is effective for the years beginning on or after January 1, 2023. The Company intends to adopt these standards and interpretations when they become effective and is currently assessing the impact of these amendment.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

5. PROPERTY AND EQUIPMENT

<i>(Canadian \$)</i>	Asset under construction	Land	Building	Gas engine	Leaseholds	Office and equipment	Total
Cost							
At January 1, 2022	1,095,029	68,261	984,994	719,169	17,195	153,462	3,038,110
Additions	529,761	-	-	-	-	6,435	536,196
At December 31, 2022	1,624,790	68,261	984,994	719,169	17,195	159,897	3,574,306
Additions	393,658	-	-	-	-	-	393,658
At December 31, 2023	2,018,448	68,261	984,994	719,169	17,195	159,897	3,967,964
Accumulated depreciation							
At January 1, 2022	-	-	354,937	525,666	3,325	122,744	1,006,672
Depreciation	-	-	25,202	47,945	3,439	7,970	84,556
At December 31, 2022	-	-	380,139	573,611	6,764	130,714	1,091,228
Depreciation	-	-	24,211	47,944	3,439	7,192	82,786
At December 31, 2023	-	-	404,350	621,555	10,203	137,906	1,174,014
Carrying amount							
At December 31, 2022	1,624,790	68,261	604,855	145,558	10,431	29,183	2,483,078
At December 31, 2023	2,018,448	68,261	580,644	97,614	6,992	21,991	2,793,950

During 2021, the Company began upgrading its pilot plant in Sault Ste. Marie to a commercial production facility. All expenditures relating to this upgrade have been classified as asset under construction. No depreciation has been charged on these expenditures until the plant is fully commissioned.

6. RIGHT-OF-USE ASSET

<i>(Canadian \$)</i>	
At January 1, 2022	117,913
Depreciation	(30,097)
As at December 31, 2022	87,816
Depreciation	(30,097)
As at December 31, 2023	57,719

The company's right of use asset includes a lease contract for office space.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

7. LEASE LIABILITY

(Canadian \$)

As at Janaury 1, 2022	134,351
Interest expense on lease obligtion	10,700
Rent payments	(38,069)
As at December 31, 2022	106,982
Interest expense on lease obligtion	8,040
Rent payments	(40,032)
As at December 31, 2023	74,990
Current portion	36,728
Non-current portion	38,262
As at December 31, 2023	74,990

The following table presents the contractual undiscounted cash flows for the lease obligation at December 31, 2023:

Year 1	41,694
Year 2	39,703
Year 3	-
Total undiscounted lease obligation	81,397

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

8. DEBT

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Long-term debt		
CEBA loans (a)	120,000	110,130
Term loan (b)	2,562,848	2,460,702
Promissory note (c)	879,238	706,938
Mortgage (d)	562,328	538,241
Deferred compensation (e)	312,644	299,888
	4,437,058	4,115,899
Current portion of long-term debt		
CEBA loans	-	110,130
Term loan	2,562,848	2,460,702
Promissory notes	879,238	706,938
Mortgage	-	-
Deferred compensation	-	-
	3,442,086	3,277,770
Non-current portion of long-term debt		
CEBA loans	120,000	-
Mortgage	562,328	538,241
Deferred compensation	312,644	299,888
	994,972	838,129

(a) CEBA loans

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Fair value at inception	97,047	97,047
Gain on deferral	(8,143)	(8,143)
Accrued accretion	31,096	21,226
	120,000	110,130
Current portion of CEBA loans	-	110,130
Non-current portion of CEBA loans	120,000	-

The Company received a total of \$120,000 proceeds pursuant to the Canadian federal government under government sponsored Canada Emergency Business Account ("CEBA") as a business support measure for COVID-19. EWI and its subsidiary EWI Rubber Inc. ("EWI Rubber") each received \$60,000.

No principal repayments are required until December 2023. Repayment of \$80,000 on or before January 18, 2024, will result in loan forgiveness of \$40,000 in aggregate. After 2023, any remaining balances will be converted to a three-year term loan at a 5% interest rate due December 31, 2026. No repayments were made in December 2023.

During the year ended December 31, 2023, the Company recorded \$9,870 of accretion expense (2022 – \$9,058).

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

8. DEBT – CONTINUED

(b) Term loan

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Fixed rate, non revolving \$2,000,000 Northern Ontario Heritage Fund Corporation term loan	2,460,702	2,362,627
Interest expense	102,146	98,075
	2,562,848	2,460,702
Current portion of term loan	2,562,848	2,460,702
Non-current portion of term loan	-	-

Ellsin has a \$2,000,000 term loan with Northern Ontario Heritage Fund Corporation (“NOHFC”) with interest at 4% per annum, due May 31, 2027. On June 1, 2021, Ellsin and NOHFC signed a fifth amendment to the loan agreement to conditionally amend the repayment terms of the loans follows:

- Previously accrued and unpaid interest, and additional interest accruing up to and including August 31, 2021, is to be paid in full no later than August 31, 2021.
- Interest only payments must be made on monthly basis from August 31, 2021, to May 31, 2022.
- Blended payments based on a 5-year amortization will commence on June 1, 2022, and
- NOHFC will obtain a corporate guarantee and postponement of claim, supported by a general security agreement from the new majority shareholder of Ellsin (note 9).

At December 31, 2023, the conditions associated with the fifth amendment were not satisfied and the Company is technically in breach of the terms of their agreement with NOHFC. The two parties continue to have discussions to renegotiate the agreement to defer current payment terms.

The total amount of interest accrued at December 31, 2023, was \$562,484 (December 31, 2022 – \$460,702).

(c) Promissory notes

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Balance, beginning of the year	706,938	-
Additions	683,535	689,239
Accrued interest	75,426	17,699
Foreign exchange gain	(14,023)	-
Settlement of debt	(572,638)	-
	879,238	706,938
Current portion of promissory notes	879,238	706,938
Non-current portion of promissory notes	-	-

In 2022, certain board members loaned the Company an aggregate of \$689,239 (US\$ 508,000). In 2023 additional advances \$683,535 (US\$378,170 and \$174,400 Cdn) were made. Interest accrues at 10% per annum.

On June 30, 2023, a debt settlement agreement with a director of the Company converted \$572,638 of promissory notes plus interest to common stock by issuing 16,361,125 common shares at \$0.035 per share (note 10d).

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

8. DEBT – CONTINUED

(d) Mortgage

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Fixed rate mortgage with principal due at maturity	500,000	500,000
Debt issue costs	(16,687)	(16,687)
	483,313	483,313
Accrued interest	67,354	46,603
Cumulative amortization of debt issue costs	11,661	8,325
	562,328	538,241
Current portion of mortgage	-	-
Non-current portion of mortgage	562,328	538,241

Ellsin received proceeds of \$500,000 from the issuance of a five-year mortgage with a third party, secured by land and a building owned by Ellsin in Sault Ste. Marie. The fair value of the mortgage was deemed to equal \$500,000 based on the discounted cash flow using an estimated cost of borrowing of 9.16%. The loan matures on July 3, 2025 and bears interest at a rate of 10% per annum, 6% of which is paid monthly and 4% which is accrued and paid on maturity. The 4% accrued interest can be paid in cash or common shares of the Company at the Company's option.

During the year ended December 31, 2023, interest expense was \$54,087 (2022 - \$52,274) of which \$20,000 (2022 - \$20,000) relates to the 4% accrued interest. At December 31, 2023, the total value of the interest that may be repayable in shares was \$69,918 (December 31, 2022 – 49,918).

(e) Deferred Compensation

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Deferred compensation with principal and interest due at maturity	299,888	285,632
Accrued interest	12,756	14,256
	312,644	299,888
Current portion of deferred compensation	-	-
Non-current portion of deferred compensation	312,644	299,888

In 2019, pursuant to a salary deferral agreement between the Company and a key member of management who is also a director, \$400,000 of salary and expenses owing was deferred. Interest accrues on this amount at 6% per annum calculated monthly in arrears and is payable at maturity. In 2021, the Company entered into a debt conversion agreement to settle a portion of the deferred compensation liability.

The maturity date on this debt is January 15, 2025.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

9. DERIVATIVE LIABILITY

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Derivative warrant liability	-	90,214
Gain on revaluation of derivative	-	(90,214)
	-	-
Current portion of derivative liability	-	-
Non-current portion of derivative liability	-	-

In 2017 pursuant to five-year debt agreement, the Company issued 3,712,500 common share purchase warrants that entitled the holder to receive one common share per warrant at a price of \$0.11 for a term of five years expiring on May 4, 2022. These warrants were valued and accounted for as a derivative liability. On May 4, 2022, the 3,712,500 warrants expired, and the value of the derivative liability was reduced to \$nil, resulting in a gain on the change in the fair value of derivative of \$90,214 on that date.

10. SHARE CAPITAL

(Canadian \$, except number of shares)

Issued share capital	Number of shares	Amount
December 31, 2021	258,418,943	56,997,868
Shares issued pursuant to private placement (a)	8,250,000	825,000
Warrants issued pursuant to private placement (a)	-	(393,525)
Share issue costs	-	(2,201)
December 31, 2022	266,668,943	57,427,142
Shares issued pursuant to private placement (b)	13,240,943	662,047
Warrants issued pursuant to private placement (b)	-	(244,956)
Shares issued pursuant to settlement of accounts payable (c)	1,428,571	50,000
Shares issued pursuant to settlement of promissory notes (d)	16,361,125	572,638
December 31, 2023	297,699,582	58,466,871

- (a) On April 13, 2022, the Company completed a private placement and issued 8,250,000 units for gross proceeds of \$825,000 less transaction cost of \$2,201. Each unit included one common shares at a price of \$0.10 and one warrant with an exercise price of \$0.15 expiring on April 12, 2024. The fair value of these warrants of \$393,525 was transferred from capital stock to contributed surplus.
- (b) On May 9, 2023, the Company completed a private placement and issued 13,240,943 units for gross proceeds of \$662,047. Each unit included one common share at a price of \$0.05 and one warrant with an exercise price of \$0.10 expiring May 9, 2025. The fair value of these warrants of \$244,956 was transferred to contributed surplus.
- (c) On June 30, 2023, the company signed an agreement for settlement of \$50,000 of accounts payable by issuing 1,428,571 common shares at \$0.035 per share.
- (d) On June 30, 2023, the company issued 16,361,125 common shares at \$0.035 per share for settlement of advances and interest payable under a promissory note totaling \$572,638 (note 8c).

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

11. SHARE BASED PAYMENTS

The Company has the following share-based compensation and payment plans:

Stock option plan The Company has established a stock option plan whereby the Company may grant stock options from time to time to employees, officers, directors, service providers and consultants of the Company to recognize the contributions made by individuals to the Company's growth and furnish an incentive to the future success and prosperity of the Company. The aggregate number of the shares issuable under the terms of the plan shall not exceed 10% of the outstanding common shares at the date of grant. The exercise price of the stock options is determined by the Board of Directors. The stock options vest evenly over a period of three years and are exercisable for a period of five years from the grant date to purchase one common share for each stock option held.

Share warrants In certain instances, warrants will be issued in conjunction with share issuances, referred to as a Subscription Unit. Each Subscription Unit entitles the equity holder to one share or one or one-half common share purchase warrant. The warrant allows the holder to purchase an additional one or one-half share at a stipulated exercise price for a period of 24 or 36 months. Warrants vest immediately on issuance.

(a) Stock options

The following options to purchase shares were outstanding on December 31, 2023, and December 31, 2022:

<i>(Canadian \$, except number of stock options)</i>	Number of stock options	2023 Weighted average exercise price	Number of stock options	2022 Weighted average exercise price
Outstanding at beginning of year	15,657,150	0.10	13,862,150	0.11
Granted	2,775,000	0.05	2,660,000	0.05
Forefeited	(400,000)	0.11	-	
Expired	(1,136,666)	0.10	(865,000)	(0.10)
Outstanding at end of year	16,895,484	0.09	15,657,150	0.10
Weighted average remaining life in years	2.36		2.75	
Exercisable at end of year	10,973,815	0.10	8,848,550	0.12

<i>(Canadian \$, except number of stock options and years)</i>	Number of options	Remaining contractual life [years]	Weighted average exercise price
0.05	9,108,347	3.00	0.05
0.06	2,673,386	0.68	0.06
0.10	321,250	0.35	0.10
0.18	662,500	0.35	0.18
0.19	3,720,000	2.52	0.19
0.26	400,000	2.42	0.26
Outstanding at end of year	16,885,483	2.36	0.09

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

11. SHARE BASED PAYMENTS - CONTINUED

The fair value of all options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0% (2022 – 0%); expected volatility of 221.17%-222.62% (2022 – 176%); risk free interest rate of 3.14%-3.76% (2022 – 2.30%); and an average expected life of five years (2022 – five years). Volatility is calculated based on the company's historical share price over a similar term.

The fair value of options issued during the year was determined to be \$75,620 (2022 - \$103,840). This fair value is to be amortized into expense over the vesting period of the related options. Stock-based compensation expense during the year ended December 31, 2023 of \$241,000 (2022 – \$430,559) has been recognized, arising from the allocation of the fair value of all unvested options over their vesting periods.

(b) RSUs

On August 18, 2023, with the appointment of the new Chief Executive Officer, 1,000,000 RSUs were granted pursuant to the Company's omnibus incentive plan. The RSUs vest as follows:

400,000 on August 18, 2024
 300,000 on August 18, 2025
 300,000 on August 18, 2026

RSUs may be paid in cash at the discretion of the Company only and are therefore not treated as cash-settled share-based payments recorded as liabilities. The fair value of RSUs issued during the year was determined to be \$30,000 (2022 - \$nil). This fair value is to be amortized into expense over the vesting period of the related RSUs. Stock-based compensation expense during the year ended December 31, 2023 of \$7,228 (2022 – \$nil) has been recognized, arising from the allocation of the fair value of all unvested RSUs over their vesting periods.

(c) Warrants

The following warrants to purchase shares were outstanding on December 31, 2023, and December 31, 2022:

<i>(Canadian \$, except number of warrants)</i>	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding at beginning of year	14,403,846	0.16	26,216,346	0.18
Issued	13,240,943	0.10	8,250,000	0.15
Expired	-	-	(20,062,500)	0.18
Outstanding at end of year	27,644,789	0.13	14,403,846	0.16
Weighted average remaining life in years	1.07		1.80	

<i>(Canadian \$, except number of warrants and years)</i>	Number of options	Remaining contractual life [years]	Weighted average exercise price
Warrants at 0.10	13,240,943	1.36	0.10
Warrants at 0.15	8,250,000	0.28	0.15
Warrants at 0.18	6,153,846	1.50	0.18
Outstanding at end of year	27,644,789	1.07	0.13

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

11. SHARE BASED PAYMENTS – CONTINUED

On May 9, 2023, pursuant to a private placement, (note 10b) the Company issued 13,240,943 common share purchase warrants that entitle the holder to receive one common share at a price of \$0.10 for a period of two years. The fair value of these warrants was estimated on the date issued using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 169% risk free interest rate of 3.72%; and an average expected life of two years. Volatility is calculated based on the company's historical share price over a similar term.

On April 13, 2022 (note 10a), the Company issued 8,250,000 common share purchase warrants that entitle the holder to receive one common share at a price of \$0.15 for a period of two years. The fair value of these warrants was estimated on the date issued using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 170% risk free interest rate of 2.34%; and an average expected life of two years. Volatility is calculated based on the company's historical share price over a similar term.

(d) Contributed surplus

<i>(Canadian \$)</i>	Amount
January 1, 2022	7,019,123
Warrants issued	393,525
Share based compensation	430,559
Share issue costs	(2,008)
December 31, 2022	7,841,199
Warrants issued	244,956
Share based compensation	248,228
December 31, 2023	8,334,383

12. NON-CONTROLLING INTEREST

<i>(Canadian \$)</i>	Amount
January 1, 2022	958,552
Share of net loss	(31,710)
December 31, 2022	926,842
Share of net loss	(32,787)
At December 31, 2023	894,055

In 2021, the Company signed an agreement with Torresco Inc. ("Torresco") for an investment of \$7,000,000 in Ellsin, which owns the pilot plant in Sault Ste. Marie. Based on a \$7,000,000 investment, Torresco would own 70% of Ellsin. To date, Torresco has funded \$1,000,000 and currently owns 10% of Ellsin. Torresco is currently in breach of this agreement by not having advanced the remaining funds. Management continues to move forward with the plant upgrade and is actively seeking alternate financing arrangements that could result in substantial dilution to Torresco's ownership of Ellsin.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

13. OPERATING EXPENSES BY FUNCTION

The Company classifies its operating expenses into three functions to reflect how it manages its business as follows:

<i>(Canadian \$)</i>	Technology development	Plant operations	Selling, marketing, administration	Total
Year ended December 31, 2023	356,082	94,657	874,389	1,325,128
Year ended December 31, 2022	496,233	121,863	987,750	1,605,846

14. OTHER INCOME AND FINANCE COSTS

Other income of \$82,500 (2022 - \$nil) represents the favorable settlement in 2023 of a claim relating to a scientific research and development tax credit pertaining to prior years.

The following table outlines finance costs for the years ended December 31, 2023 and 2022:

<i>(Canadian \$)</i>	Years ended December 31	
	2023	2022
Interest on lease liability	8,040	10,700
Interest on term loan	102,144	98,075
Interest on promissory notes	75,426	17,699
Interest on mortgage	54,087	52,274
Interest on deferred compensation	12,756	14,256
Other interest	(1,856)	2,719
Accretion expense	9,870	9,058
	260,467	204,781

15. LOSS PER SHARE AMOUNTS

Basic and diluted loss per share for the year have been calculated based on the weighted average number of common shares outstanding as follows:

<i>(Canadian \$, except common shares in number)</i>	Years ended December 31	
	2023	2022
Net loss	(1,860,727)	(2,291,291)
Weighted average common shares outstanding - basic and diluted	284,150,273	264,910,746
Loss per share - basic and diluted	(0.01)	(0.01)

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

16. INCOME TAXES

The reconciliation of the combined federal and provincial statutory income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Net loss before recovery income taxes	(1,860,727)	(2,291,291)
Expected income tax recovery	(493,093)	(607,192)
Stock based compensation and non-deductible expenses	65,818	115,039
Share issuance costs booked through equity	-	(1,115)
Change in fair value of derivative	-	(23,907)
Change in tax benefits not recognized	427,240	482,874
Book-to-filing and other adjustments	34	34,301
Income tax recovery	-	-

Deferred taxes are provided as a result of the temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

<i>(Canadian \$)</i>	December 31 2023	December 31 2022
Deferred tax assets		
Investment tax credit (SR&ED) expenditures	2,559,396	2,559,396
Non-capital losses carried forward	27,036,429	25,538,116
Investment tax credits	2,423,770	2,423,770
Temporary differences		
Schedule 13 reserves	187,500	320,000
Property and equipment	2,641,379	2,558,593
Intangible assets	394,610	394,610
Imputed interest on debt	699,397	540,702
Right-of-use asset offset with lease liability	17,270	19,166
Ontario research and development tax credit	242,496	242,496
Deferred financing costs and other	94,439	143,762
Government grant - CEBA loan	40,000	30,130
Total deferred tax assets	36,336,686	34,770,741
Losses and other temporary differences not benefited	(36,336,686)	(34,770,741)
Net deferred tax assets	-	-

The Canadian non-capital loss carryforwards expire as noted in the table below. Share issue costs and financing costs will be fully amortized in 2026. The Company's investment tax credits expire from 2024-2036. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available against which the Company can utilize the benefits therefrom.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

16. INCOME TAXES - CONTINUED

(Canadian \$)

2026	241,634
2028	519,673
2029	1,128,970
2030	2,513,251
2031	3,656,018
2032	2,220,307
2033	1,444,772
2034	2,830,766
2035	1,471,694
2036	782,905
2037	1,765,317
2038	1,036,077
2039	903,372
2040	1,597,190
2041	1,653,604
2042	1,768,816
2043	1,502,063
	<hr/>
	27,036,429

17. RELATED PARTY DISCLOSURES

Key management transactions

(Canadian \$)	December 31 2023	December 31 2022
Management Personnel		
Salaries and benefits and consulting fees	413,969	289,200
Share-based payments	87,102	147,832
Interest on deferred compensation	12,756	14,256
	<hr/>	<hr/>
	513,827	451,288

At December 31, 2023 salaries and benefits and consulting fees totaling \$215,198 (2022 - \$54,019) was owed to management personnel and was included in accounts payable at December 31, 2023.

Other transactions

Advances under promissory notes including accrued interest totaling \$623,495 at December 31, 2023 were from directors of the Company. (2022 - \$706,938).

Deferred compensation of \$312,644 (2022 - \$299,888) (note 8e) represents compensation owing to a director of the Company.

During the year ended December 31, 2023, the Company expensed \$54,831 (2022 - \$116,533) for share-based compensation to directors.

Environmental Waste International Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2023 and 2022

18. COMMITMENTS AND CONTINGENCIES

Partnership with European Market

In 2020, the Company announced that it signed an agreement with a European development and investment company, Elysium Nordic (Elysium) to enter a partnership to develop waste tire recycling plants across Europe. That original agreement has now expired, and Elysium's rights are now limited to financing and building a TR100 in Nyborg Denmark with plans to build a second TR100 on the same site.

The Company and some of its principals have participated in the June 30, 2020, April 22, 2021 and the April 13, 2022 private placements.

On March 28, 2023, Torresco was informed by letter that the agreement between Torresco Inc. and the Company is cancelled.

19. SEGMENT INFORMATION

The Company is organized into one operating segment. Management monitors the operating results of the Company on this basis. All the Company's assets are located in Canada.

20. SUBSEQUENT EVENTS

Private Placement

On April 12, 2024, the Company completed a private placement to raise \$670,000 at \$0.02 per common share, which is pending TSXV approval. The funds are expected to be received in tranches by the middle of May.

Expiry of Stock Options and Warrants

On January 31, 2024, 356,250 stock options with an exercise price of \$0.15 expired.

On April 12, 2024, 8,250,000 warrants with an exercise price of \$0.15 expired.