

Global Resource CORP
Form 10-K
December 28, 2010

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

TRANSITION REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-50944

GLOBAL RESOURCE CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

84-1565820
(I.R.S. Employer
Identification No.)

9400 Globe Center Drive
Suite 101
Morrisville, NC 27560

(Address of principal executive offices)

(856) 767-5665

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

None.

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Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$0.001 par value per share

(Title of Class)

Check whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Check whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Check whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K (§229.405 of this chapter) contained herein, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Check whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company.)

Check whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of December 31, 2009 was approximately \$36,957,211.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

As of December 27, 2010, there were 81,165,217 shares of common stock, par value \$.001 per share, outstanding.

FORWARD-LOOKING STATEMENTS

Certain statements made in this Annual Report on Form 10-K are “forward-looking statements” (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Global Resource Corporation (the “Company”) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. The Company's plans and objectives are based, in part, on assumptions involving the continued expansion of business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Company. Although the Company believes its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate and, therefore, there can be no assurance the forward-looking statements included in this Annual Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by the Company or any other person that the objectives and plans of the Company will be achieved.

PART I

Item 1. Description of Business.

Overview

Global Resource Corporation (“we”, “us”, “our”, or the “Company”) was incorporated in the State of Nevada on June 17, 2002 under the name Mariner Health Care, Inc. On August 14, 2002, the Company filed Articles of Merger with the State of Nevada pursuant to which Email Mortgage.com, Inc., a New Jersey corporation, was merged with and into the Company. On July 28, 2002, the Company amended its articles of incorporation to change its name to Advanced Healthcare Technologies, Inc. On September 2, 2004, the Company amended its articles changing its name to Global Resource Corporation. The Company is a development stage company with a business plan that includes researching, developing and marketing the business of decomposing petroleum-based materials by subjecting them to a fixed-frequency microwave radiation (the “Technology”) at specifically selected frequencies for a time sufficient to at least partially decompose the materials, converting the materials into hydrocarbons and fossil fuels from sources such as tires, oil shale, capped wells, shale deposits and waste oil streams.

The Company’s business goals for exploitation of the Technology are as follows:

- 1) The design, manufacture and sale of machinery and equipment units embodying the Technology.
- 2) The ownership and operation of plants to use the Technology in conjunction with other investors.
- 3) The formation of joint-venture and licensing relationships with established companies for exploitation of the Technology.

Currently, our efforts are directed principally to the design, manufacture of machinery and equipment as well as the licensing of the Technology. Under the Company’s current strategy, the Company’s revenue is likely to be generated from the development and licensing of the Technology.

In October 2008, we completed a prototype fixed frequency microwave reactor system, named “Patriot-1,” at the Ingersoll Production Systems facility in Rockford, Illinois. We have no manufacturing capability of our own. Accordingly, we entered into an agreement with Ingersoll Production Systems for research on and the manufacture of our machines, where the Patriot-1 was completed. The prototype is being tested initially to apply our Technology to the decomposition of tires as waste and to retrieve commercially viable components therefrom in the form of carbon, liquid hydrocarbons and gas which can be converted to electricity. We use our prototype primarily to confirm and refine the principles that will be utilized in commercial scale operations of our Technology. We also use it to test various feedstocks, materials that can benefit from the application of our Technology, prior to releasing processes for production. The prototype will also be used on a limited basis with a goal to show customers that the process works as applied to a specific feedstock and is viable for commercialization.

The Company has completed multiple demonstrations of our commercial prototype machine during 2009 and 2010. The demonstrations included prospective customers from the United States and several foreign countries as well as partners and dignitaries and were held in our contract manufacturer’s facility (Ingersoll Production Systems) which at that time was in Rockford, Illinois. As of March 31, 2010, the Rockford facility was closed and the prototype has been moved to a new facility located in Morrisville, North Carolina. The demonstrations consisted of processing tire material on a continuous basis and collecting commercially viable byproducts in the form of diesel heating oil, combustible gas in the combined form of propane, butane, methane and other gases that can be used to generate electricity or be used as energy feedstock for other processes, and a high BTU carbon char. The make-up of the byproducts was verified by independent certified laboratories including OILTEST Inc., Atlantic Analytical Laboratory, AKRON Rubber Development Laboratory, Inc. and Professional Analytical and Consulting Services, Inc. and the byproducts were valued based on oil and energy indexes as well as an independent commodity marketing

company specializing in the sale of oils and char byproducts.

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Prior to our acquisition of the assets and development stage business of Carbon Recovery Corporation (“Carbon Recovery” or “CRC”) on September 22, 2006, and the subsequent acquisition of the assets of Mobilestream Oil, Inc. on December 31, 2006, we had been a shell company since approximately December 15, 2005. With the acquisition of (i) the assets and (ii) the development stage business from Carbon Recovery, our business became that of Carbon Recovery. That business was, and continues to be: (i) the design, manufacture and sale of machinery and equipment units embodying the Technology; (ii) the ownership and operation of plants using the Technology, in conjunction with other investors; and (iii) formation of joint venture relationships with established companies with the goal of further exploiting the Technology.

One application of the process utilizes the Technology to decompose waste tires into their components of carbon black, scrap steel, and hydrocarbon liquid and gas. When the waste tires are processed, we recover carbon black which can be used in filtration as well as in the production of rubber products. The hydrocarbon liquid is not truly "oil". A tire is manufactured from hydrocarbons (60%), and rubber and steel (40% together). The hydrocarbons used to make a tire are "process oil". This process oil is a refined product, but with our technology it is broken into a gas which is then partially liquified. The precise composition of the resulting condensed liquid is not known but it has been tested and has a BTU content comparable to heating oil and we believe that it can be sold for fuel, though it may potentially require additional refining.

The tire decomposition process involves a series of steps including repeated break down of the materials into smaller components to fit the machine size and repeated exposure of the materials to the microwave process at temperatures and for time periods applicable to this kind of material.

We have begun generating revenue from a joint development agreement and are also currently conducting preliminary negotiations with prospective joint venture partners and have entered into an exclusive marketing agreement with one company for a designated geographic area outside the United States. It will take us approximately twelve months to deliver a system from the time we receive an order. It is our intention that each order be accompanied by a cash deposit from the purchaser which will be recorded as deferred revenue until the equipment is shipped, installed and operating successfully at the destination site.

There are other potential applications for our Technology covered by the pending patents. These include:

1. Reduction of hydrocarbons in drilling cuttings to permit on-site disposal;
2. Volatilization of heavy or slurry oil;
3. Recovery of oil from oil shale and oil sands; and
4. Medical applications.

Each potential application will require additional testing and refinement in the laboratory, creation and design of equipment that will use the Technology to recover hydrocarbons from these alternate sources, the construction of test units that are sufficiently large to determine whether the application works on a large scale and has commercial value, securing orders for the manufacture of machines designed to implement the process, and the manufacture, sale and distribution of such equipment. Currently, we do not have adequate funds available to take these steps for any of these alternate applications. Therefore, our ability to expand our business in any such direction will depend upon our success in finding joint venture or strategic alliance partners to underwrite these activities, or licensees with the resources to develop these applications while paying us royalties and similar fees and our ability to raise capital. There can be no assurance that we will succeed.

We do not intend to research nor represent to potential customers the commercial uses or revenues they may derive from the end-products generated using our Technology. Each potential customer will be expected to evaluate for itself whether the commercialization and disposition of the end products justifies the cost to purchase and install one of our machines.

We have begun our marketing efforts in various industry sectors. We have hired sales and marketing personnel. We have entered into an exclusive marketing agreement with one company for a defined geographic area outside the United States. We intend to actively seek other marketing agreements with partners who have demonstrable economic and marketing contact resources.

We also intend to consider the development of additional machines and equipment using our core Technology in areas outside of the tire recycling industry, but we will require the assistance of outside capital equity investments on a large scale, or we will need to align ourselves with joint venture or strategic alliance partners in order to have the funds available to exploit these other potential applications.

We are not presently devoting any time or funds to the construction of plants to exploit our Technology. Any such effort will require capital in excess of funds available to us, and will require us to "partner" with a company with much larger resources.

As an additional, but not complete, alternative we may enter into strategic alliances, joint ventures and similar arrangements for the development, testing, construction, marketing and sale of our machines. In each such arrangement we will likely be required to share our revenues from sale of our products with the other party or parties to the arrangement. The methods, terms and amounts of these arrangements may vary greatly for each such transaction.

We are considered to be in the development stage. We have devoted substantially all of our efforts to business planning and development, as well as allocating a substantial portion of our time and resources in bringing our product to the market and the raising of capital.

Our principal executive office is located at 9400 Globe Center Drive, Suite 101, Morrisville, NC 27560. Our telephone number is (856) 767-5665 and our internet address is www.globalresourcecorp.com. Trades in our common stock are reported on the Pink Sheets under the symbol "GBRC".

Reserve Equity Financing

On November 24, 2009, we entered into a Reserve Equity Financing Agreement (the "REF Agreement") with AGS Capital Group, LLC ("AGS"). In connection and contemporaneous with the execution of the REF Agreement, the Company also entered into a Registration Rights Agreement with AGS (the "Registration Rights Agreement"). Pursuant to the terms of the REF Agreement, the Company agreed to issue and sell to AGS, and AGS agreed to purchase from the Company, from time to time up to \$10,000,000 worth of the Company's Common Stock, subject to certain conditions and limitations.

Prior to the effectiveness of a registration statement filed with the Securities and Exchange Commission (the "SEC") pursuant to the Registration Rights Agreement (the "Effective Date"), AGS will purchase from the Company shares of the Company's Common Stock as mutually agreed upon by the Company and AGS at a purchase price equal to 91% of the dollar volume-weighted average price per share of the Company's Common Stock (the "VWAP") during the five consecutive trading days prior to each such purchase. To date AGS has not purchased any shares of Common Stock nor have we registered any shares of Common Stock for resale by AGS.

For a period of 36 months from the Effective Date, the Company may, from time to time and subject to certain conditions that are outside the control of AGS, draw down funds under the REF Agreement by issuing and selling shares of the Company's Common Stock to AGS. The purchase price of those shares will be 91% of the VWAP during the five consecutive trading days after the Company delivers to AGS written notice requesting an advance of funds (an "Advance") under the REF Agreement (the "Pricing Period"). The amount of an Advance will automatically be reduced by 50% if on any day during the Pricing Period, the VWAP for that day does not meet or exceed 85% of the VWAP for the five trading days prior to the notice of Advance. The aggregate maximum amount of Advances under the REF Agreement is (x) \$10,000,000 less (y) amounts purchased by AGS from the Company prior to the Effective Date. The Company's ability to require AGS to purchase the Company's Common Stock is subject to various limitations. Among other limitations, (i) the maximum amount of each Advance is 50% of the average daily trading volume for the ten days immediately preceding the notice of Advance, (ii) a minimum of five trading days must elapse between each notice of Advance and (iii) before AGS is obligated to buy any shares of the Company's Common Stock pursuant to a notice of Advance, the Company must have filed with the SEC, and had declared effective, a Registration Statement with respect to the resale of the shares of common stock issued to AGS.

The REF Agreement obligates the Company to indemnify AGS, and AGS to indemnify the Company, for certain losses resulting from a misrepresentation or breach of any representation or warranty made by the Company or AGS, respectively, or for breach of any obligation of the Company or AGS, respectively.

Pursuant to the REF Agreement, (i) the Company is obligated to pay to AGS a due diligence fee of \$10,000, of which \$5,000 has already been paid and \$5,000 will be paid upon the first Advance, (ii) on November 30, 2009, the Company issued 300,000 shares of its Common Stock to AGS, (iii) for any fund or entity that AGS directly or indirectly introduces to the Company who subsequently provides bridge financing or assists in providing bridge financing to the Company, the Company will deliver 500,000 shares of its Common Stock to AGS three days after signing the bridge financing agreement, (iv) in the event that the Company does not obtain bridge financing directly or indirectly through AGS, but AGS advances \$2,500,000 through the REF Agreement, the Company will issue an additional 500,000 shares of Common Stock to AGS three days after having advanced an aggregate sum of \$2,500,000 and (v) prior to the first Advance, the Company is to obtain lock-up agreements from each officer and director of the Company in the form annexed as Schedule 2.4 to the REF Agreement. These lock-up agreements have not been obtained as of the date of filing of this Report.

The Company may terminate the REF Agreement effective upon fifteen trading days' prior written notice to AGS, provided that (i) there are no Advances outstanding and (ii) the Company has paid all amounts owed to AGS under the REF Agreement. The obligation of AGS to make an Advance to the Company pursuant to the REF Agreement will terminate permanently if (i) there is any stop order or suspension of the effectiveness of the Registration Statement for an aggregate of fifty (50) trading days or (ii) the Company at any time fails materially to comply with certain covenants specified in the REF Agreement and that failure is not cured within thirty (30) days after receipt of written notice from AGS, subject to exception.

The shares of Common Stock that have been and may be issued to AGS under the REF Agreement will be issued pursuant to an exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"). Pursuant to the Registration Rights Agreement, the Company will file a registration statement covering the possible resale by AGS of the shares that the Company has issued and may issue to AGS under the REF Agreement (the "Registration Statement"). The Registration Statement will cover such shares of Common Stock that have been issued pursuant to the REF Agreement which (i) have not been sold pursuant to an exemption from registration provided by Rule 144 and (ii) which have not been transferred to a holder who may trade such shares without restriction and the Company for which the Company has delivered a new certificate or other evidence of ownership for such securities not bearing a restrictive legend. The Company may file subsequent registration statements covering the resale of additional shares of Common Stock issuable pursuant to the REF Agreement. As described above, the

effectiveness of the Registration Statement is a condition precedent to the Company's ability to sell Common Stock to AGS under the REF Agreement. There is no guarantee that we will be able to meet the conditions under the REF Agreement in order to draw down any portion of the amounts available under the REF Agreement.

History

The Company was originally incorporated in the State of Nevada on June 17, 2002 under the name Mariner Health Care, Inc. On August 14, 2002, the Company filed Articles of Merger with the State of Nevada pursuant to which Email Mortgage.com, Inc., a New Jersey corporation, was merged with and into the Company. On July 28, 2002, the Company amended its articles of incorporation to change its name to Advanced Healthcare Technologies, Inc. Under the name Advanced Healthcare Technologies, Inc., the Company owned and operated a subsidiary named "Advanced Hyperbaric Industries, Inc." ("Advanced Hyperbaric") which engaged in the manufacture and marketing of rigid extremity hyperbaric chambers and a sacral patch device, both of which utilized oxygen therapy for the treatment of open sores and wounds, including bedsores.

On December 4, 2003, the Company acquired a 100% interest in Nutrateg LLC ("Nutrateg") which was engaged in the research and development of nutritional dietary supplements, functional food products and natural sweeteners, which products were manufactured by non-related third parties. On March 31, 2004, as a consequence of the Nutrateg acquisition, the Company spun off and sold the intellectual properties and oxygen therapy products and business of Advanced Hyperbaric in exchange for the assumption of Advanced Hyperbaric's liabilities. On June 30, 2004 the former President, Chief Executive Officer, Director and majority stockholder sold his interest in the Company to an unrelated third party. In connection with that sale and change in control, the Company's operating subsidiary, Nutrateg was spun off to the selling majority stockholder and the purchaser determined to change the business of the Company to that of a business development company. On September 10, 2004, the Company changed its name to its current "Global Resource Corporation". On September 17, 2004, the Company filed a notice with the SEC electing to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended. The intent was to focus on acquiring interests in portfolio companies doing business in the energy sector.

While operating as a BDC, and seeking energy-related portfolio companies, on January 11, 2005 the Company acquired a 50% interest in Well Renewal, LLC ("Well Renewal"), an entity which managed and operated approximately 30 oil wells in Oklahoma by utilizing a nitrogen and carbon dioxide gas injection unit to "pump up" and re-pressurize the wells to increase oil output. In December 2005 we assigned our Well Renewal ownership interest to Transnix Global Corporation in settlement of sums past due under a \$137,900 8% debenture we issued to Transnix.

The Company filed a notice withdrawing its BDC election on December 20, 2005, at which point the Company became a "development stage company" and a shell company until September 22, 2006 when it acquired the assets of Carbon Recovery Corporation in the Recapitalization Transaction described below.

Careful Sell

Careful Sell was a Delaware limited liability company formed and managed by Mr. Frank G. Pringle, our former Chairman, President and CEO. Mr. Pringle and his spouse, a former director of the Company, owned all of the limited liability interests of Careful Sell. Careful Sell was the owner of all rights to the inventions of Mr. Pringle. In February 2005, prior to the Company's acquisition of CRC's assets described below under "Our Purchase of the Assets of Carbon Recovery Corporation", CRC formalized a prior intended agreement with Careful Sell (the "February 2005 Agreement"). The February 2005 Agreement transferred from Careful Sell to CRC the rights to commercialize such inventions and to operate and use the related processes and apparatus to make, sell, use and otherwise dispose of products which may be processed utilizing the inventions. As consideration, CRC issued Careful Sell 37,500,000 shares of its common stock and agreed to pay Careful Sell royalty payments in perpetuity that varied with the use made of the intellectual property and the revenues received by CRC. The February 2005 Agreement superseded a prior agreement not formalized between CRC and the managing members of Careful Sell in 2002. In January 2006, Careful Sell merged into PSO Enterprises, Inc., a Delaware corporation, which in turn merged into Mobilestream Oil, Inc. during February 2006. As a result, Mobilestream acquired the rights that had been those of Careful Sell under the 2005 Agreement and the royalties, if any, payable under the 2005 Agreement would be payable by CRC to

Mobilestream. The 2005 Agreement was subsequently terminated as provided below.

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Our Purchase of the Assets of Carbon Recovery Corporation

On or about July 26, 2006, we entered into a plan and agreement of reorganization (the "CRC Acquisition Agreement") with Carbon Recovery Corporation, a New Jersey corporation formed on July 19, 2002 ("Carbon Recovery" or "CRC"), pursuant to which we agreed to purchase substantially all of the assets of, and assume certain specified liabilities of, Carbon Recovery, in exchange for the consideration described below. The acquisition was completed on September 22, 2006 (the "CRC Acquisition Closing"). At the time of the acquisition, Mobilestream Oil, Inc. ("Mobilestream") owned 37,500,000 shares of the common stock of CRC, which represented a controlling block of the issued and outstanding common stock of CRC. Frank G. Pringle served as the Chief Executive Officer and Chairman of the Board of Directors of both CRC and Mobilestream. Upon the CRC Acquisition Closing, Mr. Pringle became our President and Chief Executive Officer and Chairman of our Board of Directors. He served as our President and Chief Executive Officer until August 13, 2008 and as the Chairman of our Board of Directors until November 12, 2008. Prior to the CRC Acquisition Closing, Mr. Pringle had no affiliation with us or any of our affiliates.

At the CRC Acquisition Closing, we assumed certain specified liabilities of CRC, acquired substantially all of the assets of CRC and issued a total of 48,688,996 shares of our common stock (including (i) 37,500,000 shares issued to Mobilestream representing Mobilestream's ownership of the identical number of shares of CRC common stock and (ii) 11,188,996 shares issued to CRC). The acquired assets of CRC included an exclusive license, carried at a zero dollar book value, from Mobilestream to utilize the patent pending application for the use of the Technology. As part of the transaction, we also issued to CRC 3,908,340 Class B warrants, 1,397,600 Class D warrants and 1,397,600 Class E warrants (collectively, the "CRC Acquisition Warrants") to purchase shares of our common stock. In January of 2010, the expiration date of the CRC Acquisition Warrants, was extended from March 31, 2010 to December 31, 2010.

Our acquisition of CRC's assets pursuant to the CRC Acquisition Agreement was accounted for as a reverse merger (recapitalization) with CRC being deemed the accounting acquirer for accounting purposes and the Company being deemed the legal acquirer.

The parties to the CRC Acquisition Agreement intended that the acquisition of the assets of Carbon Recovery be treated as a "C" reorganization under the Internal Revenue Code of 1986 as amended (the "IRC"). No Carbon Recovery stockholder was a party to the CRC Acquisition Agreement.

Upon the CRC Acquisition Closing, CRC's sole assets were the shares and warrants we issued to CRC (the "CRC Acquisition Consideration"). For federal income tax reasons and in order to avoid treatment as an inadvertent investment company under the Investment Company Act of 1940, CRC determined to liquidate and dissolve immediately upon the CRC Acquisition Closing and to deposit all its assets (consisting, at that point, solely of the CRC Acquisition Consideration) in a liquidating trust (the "CRC Liquidating Trust") pursuant to a liquidating trust agreement (the "CRC Liquidating Trust Agreement") entered into with Olde Monmouth Stock Transfer Co., Inc. ("Olde Monmouth"), our transfer agent, and pursuant to which Olde Monmouth agreed to act as the liquidating trustee. Old Monmouth's term as the trustee has since ended and Fox Law Offices P.C., currently serves as trustee (the "CRC Liquidating Trustee"). The beneficiaries of the CRC Liquidating Trust are the stockholders of CRC. The CRC Acquisition Consideration must be held in the liquidating trust indefinitely until it can all be distributed to the beneficiaries of the CRC Liquidating Trust pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to an exemption therefrom. In connection with the CRC Liquidating Trust Agreement, we agreed that we would file a registration statement for the resale of the shares of our common stock and warrants (and the shares underlying them) issued as part of the CRC Acquisition Consideration and for the resale of the shares underlying the CRC Acquisition Warrants. In January of 2010, the expiration date of the Mobilstream Acquisition Warrants, was extended from March 31, 2010 to December 31, 2010. The shares and warrant are included for resale in the CRC/Mobilestream Registration Statement. A registration statement for the resale of such shares and warrants was

filed with the SEC on February 12, 2008 and is currently pending (the “CRC/Mobilestream Registration Statement”).

To the Company's knowledge, (i) Mr. Pringle is a beneficiary of the Carbon Recovery Liquidating Trust and is to receive 119,000 shares of our common stock when distributed by the CRC Liquidating Trust and (ii) Lois Augustine Pringle, the wife of Mr. Pringle, is a beneficiary of the Carbon Recovery Liquidating Trust and is to receive 1,520,171 shares of our common stock when distributed by the CRC Liquidating Trust.

In order to clarify, restate and memorialize the ownership and licensure of the intellectual property previously licensed to Carbon Recovery by Careful Sell (which, by the time of the CRC Acquisition Closing, had been merged into Mobilestream), contemporaneous with the CRC Acquisition Closing, Mobilestream, Mr. Pringle and his wife, Lois Augustine Pringle, executed a combined technology license agreement (the "Combined Technology License Agreement"). The Combined Technology License Agreement confirmed (i) Mobilestream as the sole owner of the licensed intellectual property, and (ii) the exclusive license of the intellectual property by Mobilestream to Carbon Recovery. In the same agreement, Carbon Recovery assigned all of its interest in the intellectual property license to the Company and the Company agreed to pay to Mobilestream the royalty payments that CRC was previously obligated to pay to Mobilestream under the February 2005 Agreement. The Company's royalty obligations under the Combined Technology License Agreement ended when the Company acquired substantially all of the assets of Mobilestream as described below under "Our Purchase of the Assets of Mobilestream Oil, Inc."

Our Purchase of the Assets of Mobilestream Oil, Inc.

On December 31, 2006, we acquired the assets of Mobilestream Oil, Inc., a Delaware corporation ("Mobilestream"), pursuant to a plan and agreement of reorganization dated November 28, 2006 (the "Mobilestream Acquisition Agreement") between the Company and Mobilestream. Mobilestream was a development stage company which owned the Technology, consisting of certain proprietary technology and related custom software for the use of microwaves to break down petroleum-based products, such as used tires, into their component parts, and capturing those components in usable form for resale. At the closing of the purchase of Mobilestream's assets (the "Mobilestream Acquisition Closing"), we (i) acquired all of the Technology and (ii) assumed Mobilestream's liabilities, which were minimal.

The Mobilestream assets we acquired consisted of (i) the then three patents pending for the Technology carried at a book value of zero, (ii) approximately \$1,678,000 of cash and (iii) approximately \$149,000 of fixed assets. Mobilestream also owned 37,500,000 shares of our own common stock (acquired in connection with our purchase of the assets of CRC) which were cancelled as part of the transaction. Further, at the Mobilestream Acquisition Closing, the Combined Technology License Agreement was terminated by virtue of the merger of the interests of the licensor and the licensee thereunder.

At the time of the Mobilestream acquisition, Mobilestream was controlled by Frank G. Pringle, our then Chairman, President and CEO. At that time, Mr. Pringle had an approximately 86% ownership interest in Mobilestream.

The parties to the Mobilestream Acquisition Agreement intended that the acquisition of Mobilestream would qualify as a "D" Reorganization under Section 368(a)(1)(D) of the IRC. No Mobilestream stockholder was a party to the Mobilestream Acquisition Agreement.

At the Mobilestream Acquisition Closing, we issued (i) 11,145,225 shares of our Common Stock (the "Mobilestream Acquisition Common Stock") to Mobilestream; (ii) 35,236,188 shares of our 2006 Series of Convertible Preferred Stock (or "Preferred Stock A") to Frank G. Pringle, the sole holder of the 2006 Series of Mobilestream Preferred Stock; and (iii) 27,205,867 common stock purchase warrants (the "Mobilestream Acquisition Warrants") to Mobilestream to purchase shares of our common stock on the basis of one Mobilestream Acquisition Warrant for each three shares of either Mobilestream common stock or preferred stock, exercisable at \$4.75 per share for a period ending on December 31, 2007. Of these warrants, 23,500,000 of the Mobilestream Acquisition Warrants were issued directly to Frank G.

Pringle and were subsequently cancelled on October 23, 2007.

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As stated above, at the Mobilestream Acquisition Closing, we issued 35,236,188 shares of our Preferred Stock A to Frank G. Pringle, the sole holder of the 2006 Series of Mobilestream Preferred Stock. At the time of issuance, each share of Preferred Stock A was entitled to two votes per share and each was convertible into two shares of our Common Stock. In October 2007, the terms of conversion of our Preferred Stock A were changed from two shares of our Common Stock for each share of Preferred Stock A to half of one share of our Common Stock for each share of our Preferred Stock A. On June 25, 2008, Mr. Pringle converted 1,791,064 shares of Preferred Stock A into 895,532 shares of our Common Stock. On August 13, 2008, Mr. Pringle converted an additional 33,440,124 shares of Preferred Stock A into 16,720,062 shares of our Common Stock and sold 6,600,000 shares of our Common Stock back to the Company for \$1,650,000. The remaining 5,000 shares of Preferred Stock A, then held by a person related to Mr. Pringle, were converted into 2,500 shares of our Common Stock on January 6, 2009. As a result, no shares of Preferred Stock A remain outstanding.

Upon the Mobilestream Acquisition Closing, Mobilestream's sole assets were the shares and warrants we issued to Mobilestream at and in connection with the Mobilestream Acquisition Closing (the "Mobilestream Acquisition Consideration", excluding the 23,500,000 Mobilestream Acquisition Warrants issued directly to Frank Pringle which were subsequently cancelled and the Preferred Stock A which has since been converted into shares of our Common Stock). For federal income tax reasons and in order to avoid treatment as an inadvertent investment company under the Investment Company Act of 1940, Mobilestream determined to liquidate and dissolve immediately upon the Mobilestream Acquisition Closing and to deposit all its assets (consisting, at that point, solely of the Mobilestream Acquisition Consideration) in a liquidating trust (the "Mobilestream Liquidating Trust") pursuant to a liquidating trust agreement (the "Mobilestream Liquidating Trust Agreement") entered into with Olde Monmouth and pursuant to which Olde Monmouth agreed to act as the liquidating trustee (the "Mobilestream Liquidating Trustee"). The beneficiaries of the Mobilestream Liquidating Trust are the stockholders of Mobilestream. The Mobilestream Acquisition Consideration must be held in the liquidating trust indefinitely until it can all be distributed to the beneficiaries of the Mobilestream Liquidating Trust pursuant to an effective registration statement under the Securities Act of 1933 or pursuant to an exemption therefrom. In connection with the Mobilestream Liquidating Trust Agreement, we agreed that we would file a registration statement for the resale of the shares of our common stock and warrants (and the shares underlying them) issued as part of the Mobilestream Acquisition Consideration. In January of 2010, the expiration date of the Mobilestream Acquisition Warrants, was extended from March 31, 2010 to December 31, 2010. The shares and warrant are included for resale in the CRC/Mobilestream Registration Statement.

Principal Products and Services

The Company's principal product is the Technology. The Technology has several potential applications including, but not limited to decomposing waste tires into their components to recover carbon black, which can be used in filtration as well as in the production of rubber products, and hydrocarbons, known as "process oil", which is broken into a gas and the partially liquefied for use as heating oil and possibly fuel after additional refining. The Company is currently principally focused on the design, manufacture and sale of machinery and equipment to be used for the purpose of exploiting the Technology, as well as licensing of the Technology.

Other potential applications for the Technology include, (i) the reduction of hydrocarbons in drilling cutting to permit on-site disposal; (ii) volatilization of heavy or slurry oil (iii) recovery of oil from oil shale and oil sands and (iv) certain medical applications. Each potential application will require additional testing and refinement as well as the creation and design of equipment that will use the Technology to recover hydrocarbons from the alternate sources. The Company currently does not have the funds available to seek any of these alternate applications. Therefore, the Company seeks to find joint venture or strategic alliance partners with the resources to develop and/or underwrite the activities or licensing arrangements pursuant to which we may receive royalty payments or similar fees.

In October 2008, the Company completed a prototype machine, the “Patriot-1” which is being tested to apply the Technology to the decomposition of tires as waste to retrieve commercially viable components therefrom in the form of carbon, liquid hydrocarbons and gas to be converted to electricity. The Company is currently working on the Patriot 2™ Tire-to-Fuel Oil Recycling System (“Patriot 2”), our next generation prototype containing additional features and improved efficiency.

Customers; Suppliers

As of December 31, 2009, the Company had one customer, Universal Alternative Fuels, Inc. (“UAF”). On October 14, 2009, the Company entered into a License Agreement with UAF, as amended by Amendment No. 1 to the License Agreement dated October 14, 2009 (the “UAF License Agreement”). Pursuant to the terms of the UAF License Agreement, the Company granted UAF an exclusive world-wide, royalty free license for the application of the Technology in recovering commercially usable energy, energy producing material and by products from oil shale and coal (the “Licensed Field of Use”), including, (i) the right to sublicense in the Licensed Field of Use; (ii) to practice the method or process required for the Licensed Field of Use and covered by the Company’s patents or the Technology (the “Licensed Process”) as a service to others or for UAF itself; (iii) to make, have made and use in the practice of the Licensed Process and to sell, offer to sell, lease, distribute, export and import licensed products in the country or countries in which the patent are effective and (iv) to use the Company’s trademarks. UAF was required to pay a one time license fee equal to \$750,000 (the “License Fee”) upon the execution and delivery of the UAF License Agreement and receive restricted shares aggregating to 20% of the issued and outstanding shares of common stock of UAF (the “Equity Interest”) of UAF on the date of issuance.

In connection with the UAF License Agreement, UAF issued a purchase order, dated October 14, 2009, for an initial machine capable of processing one ton per hour of oil shale (the “Purchase Order”) to the Company. The purchase price for the initial machine is based on a formula related to the Company’s cost to manufacture the initial machine and will not exceed \$3.5 million. Payment of the purchase price is as follows: (i) UAF was required to pay \$500,000 to the Company six months from the date of the Purchase Order (ii) and \$500,000 nine months from the date of the Purchase Order, (iii) a deemed deposit by UAF of \$843,000 was credited against the purchase price on the date of the Purchase Order, and (iv) the balance of the purchase price will be paid upon completion of the initial machine, demonstration and acceptance by UAF. As of the date of this filing, UAF has not paid the initial \$500,000 payment due in April of 2010, nor has it paid the second \$500,000 payment due in July of 2010.

The Purchase Order was subject to a 180 day “wait and see” period from the date of the Purchase Order upon which UAF had the right to terminate the Purchase Order only if the Company has not raised at least \$3,400,000 in additional equity capital (which shall include debt, if convertible into Common Stock of the Company) within 150 days from the date of the UAF License Agreement. If UAF had exercised its right to terminate the Purchase Order, the Company had a ten day period in which it could repurchase the license granted to UAF and retain the existing prototype machine for an aggregate of \$1,700,000 (the “Repurchase Price”) which included the return of the \$750,000 license fee and reimbursement to UAF of the \$843,000 in costs incurred in connection with the License Agreement to be paid within twenty days from the end of the ten day period.

Prior to the date of this filing, the Company received from UAF a notice of termination (the "Termination Notice") of the License Agreement and Purchase Order and a notice of foreclosure ("Foreclosure Notice") in connection with the Security Agreement. The Company believes that, for a number of reasons, pursuant to the terms of the License Agreement and all related agreements, the Termination Notice and Foreclosure Notice are invalid. On July 26, 2010, the Company issued a notice of default ("Default Notice") to UAF as a result of UAF's failure to issue the Equity Interests and make the required Purchase Price payments pursuant to the terms of the License Agreement and Purchase Order. UAF has 60 days from the date of the Default Notice to cure such breach. If UAF has not cured the breach within the 60 day time frame the Default Notice serves as notice of termination by the Company of the License Agreement and Purchase Order. Upon such termination UAF's lien pursuant to the Security Agreement would terminate. The 60 day time frame has elapsed as of September 26, 2010 thereby terminating the License Agreement and Purchase Order. On October 20, 2010, UAF sent to the Company a Notice of Disposition of Collateral notifying the Company that certain of its patent applications and other items as identified in the Security Agreement would be offered for sale at a public auction on November 4, 2010. On December 16, 2010 UAF issued a press release announcing a change in the date of the public auction to December 22, 2010. Representatives of the Company attended the auction held by UAF at which UAF auctioned certain of the Company's assets to itself. Additionally, on November 4, 2010 the Company received a copy of a written consent executed by the board of directors of UAF authorizing the issuance of the Equity Interest together with an unsigned copy of a stock certificate in the Company's name for an aggregate of 40 shares of the common stock of UAF. There are no assurances as to the outcome of this dispute.

Manufacturing Outsourcing

We do not have our own factory site nor the equipment, personnel or funds required to manufacture the machines designed to implement applications of our pending patents technology. Accordingly, our strategy is to enter into manufacturing agreements with companies that have the physical sites, manpower and financial strength to manufacture our equipment to our specifications.

In October 2008, we completed a prototype fixed frequency microwave reactor system, named "Patriot-1", at the Ingersoll Production Systems facility. The prototype has been used to demonstrate the applicability of our microwave technology to the decomposition of tires as waste and to retrieve commercially viable components therefrom in the form of carbon, liquid hydrocarbons and combustible gas which can be converted to electricity.

Joint Ventures and Strategic Alliances

We currently have limited funds available to pursue research and development of our Technology in other potential areas of application. These additional applications require the investment of large amounts of capital over extended time periods to investigate, refine and eventually develop the correct techniques for the use of microwave technology for the relevant application, build test units to evaluate the viability of the techniques on a large scale, determine the commercial usefulness of the application, and develop a sales and marketing force with expertise in the intended area of use. Accordingly, our strategy will be to negotiate collaborative agreements with large industrial and manufacturing companies, governments, or other parties to pursue opportunities in these areas of application.

On April 23, 2009, Global Heavy Oil Corporation, a wholly-owned subsidiary of the Company, entered into a Joint Development Agreement with Schlumberger Technology Corporation and Schlumberger Holdings Limited (the "Joint Development Agreement"). The parties to the Joint Development Agreement agreed to use reasonable efforts to collaborate in order to develop surface upgrading products and services in heavy oil oilfield operations (the "Products and Services"). Surface upgrading are processes and technologies using microwaves to increase the gravity of heavy oil above the surface of the Earth. Heavy oil is petroleum with an American Petroleum Institute gravity of 22.3 degrees or less. Pursuant to the Joint Development Agreement, we agreed not to engage in the research, development,

manufacturing, marketing or exploitation of Products and Services during its term and for two years thereafter, except pursuant to the Joint Development Agreement.

Pursuant to the Joint Development Agreement, Schlumberger agreed to pay \$300,000 within thirty days of its execution and another \$300,000 on its first anniversary. These moneys are non-refundable. The first \$300,000 was received on May 22, 2009. The Company received the second payment of \$300,000 on March 4, 2010. The Company earned \$180,000 in revenues for the year ended December 31, 2009. As of December 31, 2009, a balance of \$120,000 remains in the deferred revenue account on the consolidated balance sheet.

Pursuant to the terms of the Joint Development Agreement, each party to it granted to the other an exclusive, worldwide, royalty-free license to use its intellectual property applicable to surface upgrading in heavy oil oilfield operations during the term of the Joint Development Agreement.

The collaboration between the parties to the Joint Development Agreement is to be implemented in three distinct phases, with the first phase to be completed within a maximum of three years from the date of the Joint Development Agreement. If a phase's objectives are not satisfied within the allotted timeframe, the collaboration under the Joint Development Agreement would terminate.

Marketing and Distribution Arrangements

We have begun our marketing efforts in various industry sectors. As of the date of this filing, we have one full time sales employee. In the future we may expand the number of our sales and marketing personnel and possibly partly outsource these activities to third parties. We have entered into an exclusive marketing agreement with C6 Engineering Pty LTD ("C6 Engineering") pursuant to which the C6 Engineering has exclusive rights to market to, procure orders from, and/or sell supply and distribute products embodying the Technology to certain territories located in China, Russia, the former USSR, the Middle East, Sri Lanka, Malaysia and India. The exclusive rights granted to C6 Engineering are subject to the sale of a minimum of ten products a year. If C6 Engineering fails to sell a minimum of 10 products a year, the rights will become non-exclusive, however, C6 Engineering will continue to have exclusive rights to sell products to its existing customers. We intend to actively seek other marketing agreements with partners who have demonstrable economic and marketing contact resources. We do not know what terms or conditions may be required if the Company enters into any marketing agreements or arrangements in the future. The description of the marketing agreement herein is intended to be a summary only and is qualified in its entirety by the terms of the marketing agreement annexed hereto as Exhibit 10.14, and incorporated herein by this reference.

Intellectual Property

Patents

The Company has developed microwave technology and machinery for a range of processing applications for such materials as shale deposits and tar sands, in addition to waste tires, heavy oil, coal, municipal solids wastes (MSW), drill cuttings and muds. We currently have one patent issued and three utility patent applications pending in the United States Patent and Trademark Office (the "PTO") and approximately ten corresponding utility patent applications pending in international patent offices in commercially relevant countries. In August 2009, the Company received a Notice of Allowance for its first application (Serial No 11/610,823) from the PTO. A Notice of Allowance is issued if one or more of the claims of an application are allowed and precedes the formal patent issuance. On December 8, 2009, the U.S. Patent and Trademark Office issued U.S. Patent No. 7,629,427 to the Company. This issue is for the technology that is the core of the Company's Patriot 2™ Tire-to-Fuel Oil Recycling System, in addition to other potential future applications. The Patriot 2™ is our next generation prototype containing additional features and improved efficiency.

The Company's patent and patent applications cover its proprietary microwave technology for recovering hydrocarbons and fossil fuels from sources such as tires, oil shale, capped wells, shale deposits, and waste oil streams. The process uses specific frequencies of microwave radiation to extract oils and alternative petroleum products from a variety of these unconventional hydrocarbon sources. Our patent applications also cover certain medical applications of our Technology. We rely on a combination of trade secrets, non-disclosure and other contractual agreements and technical measures to protect our rights in our Technology. We maintain confidentiality agreements with our officers, directors, employees, consultants, and subcontractors, as well as collaborative partners, to maintain the proprietary nature of our Technology. We believe that our Technology is not subject to any

infringement actions based upon the patents of any third parties.

The Company has the following patent applications pending:

Docket Number	Country	Application Number	Application Date	First Listed Inventor	Title
GBRC-0004	United States	11/610823	12/14/2006	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0007	United States	11/610962	12/14/2006	PRINGLE FRANK G.	USE OF MICROWAVE ENERGY FOR THERMOTHERAPY
GBRC-0018	Canada	2633091	12/14/2006	PRINGLE FRANK C.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0019	European Patent Convention	6845600.3	12/14/2006	PRINGLE FRANK C.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0020	Norway	20082798	12/14/2006	PRINGLE FRANK C.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0021	Mexico	08/07748	12/14/2006	PRINGLE FRANK C.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0022	Australia	2006335213	12/14/2006	PRINGLE FRANK C.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0023	Brazil	PI0620706-5	12/14/2006	PRINGLE FRANK C.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0024	United States	12/138905	6/13/2008	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0026	Australia	2006325835	12/14/2006	PRINGLE FRANK G.	DEVICE PRODUCING AND USE OF MICROWAVE ENERGY FOR THERMOTHERAPY
GBRC-0027	Canada	2633228	12/14/2006	PRINGLE FRANK G.	DEVICE PRODUCING AND USE OF MICROWAVE ENERGY FOR THERMOTHERAPY
GBRC-0028	European Patent	6845727.4	12/14/2006	PRINGLE FRANK G.	USE OF MICROWAVE ENERGY FOR

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GBRC-0029	Convention Argentina	P080102579	6/17/2008	PRINGLE FRANK G.	THERMOTHERAPY MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0030	Venezuela	2008-001185	6/16/2008	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0037	Patent Cooperation Treaty	PCT/US2009/058951	9/30/2009	HEDMAN LENNART	MICROWAVE-BASED CONVEYING DEVICES AND PROCESSING OF CARBONACEOUS MATERIALS
GBRC-0039	United States	12/570323	9/30/2009	HEDMAN LENNART	MICROWAVE-BASED CONVEYING DEVICES AND PROCESSING OF CARBONACEOUS MATERIALS
GBRC-0040	United States	12/577341	10/12/2009	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0041	United States	12/616311	11/11/2009	PRINGLE FRANK G.	MICROWAVE PROCESSING OF CARBON-BASED COMPOSITIONS
GBRC-0042	United States	12/577337	10/12/2009	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0043	United States	12/577330	10/12/2009	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0044	United States	12/572715	10/2/2009	PRINGLE FRANK G.	MICROWAVE PROCESSING OF OIL SHALE AND COAL
GBRC-0045	Brazil	PI0811683-0	6/13/2008	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0046	Canada	N/A	6/13/2008	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0047	Mexico	09/13719	6/13/2008	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
GBRC-0048	Australia	2008266015	6/13/2008	PRINGLE FRANK G.	MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND

GBRC-0049	European Patent Convention	8770976.2	6/13/2008	PRINGLE FRANK G.	FOSSIL FUELS MICROWAVE-BASED RECOVERY OF HYDROCARBONS AND FOSSIL FUELS
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License Agreement

Pursuant to the terms of the UAF License Agreement, the Company granted UAF an exclusive world-wide, royalty free license, with the right to sub-license and effective for an unlimited time, to use and exploit the Company's intellectual property and technological know-how for the microwave processing of oil shale and coal. UAF agreed to purchase exclusively from the Company all machines to be manufactured for UAF (or its sub-licensees) under the license agreement, subject to the Company's ability to manufacture such machines. UAF was required to pay a one time license fee equal to \$750,000 (the "License Fee") upon the execution and delivery of the UAF License Agreement and the Company would receive restricted shares aggregating to 20% of the issued and outstanding shares of common stock of UAF (the "Equity Interest") on the date of issuance. In connection with the UAF License Agreement, (i) the Company entered into a Security Agreement with UAF, dated October 14, 2009 and (ii) UAF issued the Purchase Order.

The Security Agreement grants UAF first priority security interests in (i) the Company's existing prototype machine currently located in Morrisville, North Carolina (the "Existing Prototype Machine") and (ii) the Company's patent rights, technology and trademarks as applied to the oil shale and coal fields of use, as security for an aggregate amount of \$1.7 million, including but not limited to the (i) \$843,000 credited towards the purchase price of the initial machine as describe in the UAF License Agreement, (ii) the License Fee and (iii) all other obligations of the Company to UAF under the Security Agreement and the UAF License Agreement. The security interests granted pursuant to the Security Agreement will terminate and be released upon acceptance by UAF of the initial machine described in the Purchase Order or payment by the Company of the Repurchase Price.

Prior to the date of this filing, the Company received from UAF a notice of termination (the "Termination Notice") of the License Agreement and Purchase Order and a notice of foreclosure ("Foreclosure Notice") in connection with the Security Agreement. The Company believes that, for a number of reasons, pursuant to the terms of the License Agreement and all related agreements, the Termination Notice and Foreclosure Notice are invalid. On July 26, 2010, the Company issued a notice of default ("Default Notice") to UAF as a result of UAF's failure to issue the Equity Interests and make the required Purchase Price payments pursuant to the terms of the License Agreement and Purchase Order. UAF has 60 days from the date of the Default Notice to cure such breach. If UAF has not cured the breach within the 60 day time frame the Default Notice serves as notice of termination by the Company of the License Agreement and Purchase Order. Upon such termination UAF's lien pursuant to the Security Agreement would terminate. The 60 day time frame has elapsed as of September 26, 2010 thereby terminating the License Agreement and Purchase Order. On October 20, 2010, UAF sent to the Company a Notice of Disposition of Collateral notifying the Company that certain of its patent applications and other items as identified in the Security Agreement would be offered for sale at a public auction on November 4, 2010. On December 14, 2010, UAF issued a press release announcing a change in the date of the public action to December 22, 2010. Representatives of the Company attended the auction held by UAF at which UAF auctioned certain of the Company's assets to itself. Additionally, on November 4, 2010 the Company received a copy of a written consent executed by the board of directors of UAF authorizing the issuance of the Equity Interest together with an unsigned copy of a stock certificate in the Company's name for an aggregate of 40 shares of the common stock of UAF. There are no assurances as to the outcome of this dispute.

Trademarks

We do not currently have any trademark or service mark protection other than that available at common-law, if any. We intend to file appropriate applications for protection upon receipt of funds allocated to that purpose.

Regulatory Issues

At this time, there is no direct federal or state certification or regulatory requirements for our products, except for the requirement that all our equipment conform to regulations for microwave devices. We are not aware of any pending federal or state legislation which would introduce regulatory requirements that would negatively impact or impede the manufacture, sale and distribution of our equipment in the United States or elsewhere.

There will be federal, state and local environmental, health and hazardous substance regulations that will apply at each location at which one of our machines is installed. It is not possible to discuss the variety of these regulations in detail; however, we believe that the design of our equipment for the decomposition of hydrocarbons for the applications in which they are currently being marketed—namely waste tires—will protect the environment from any harmful releases or waste products.

Wholly apart from any regulatory requirements, we will maintain product liability insurance for our products as a condition of our ability to market them. Our purchase agreements will require our customers to maintain adequate amounts of product liability insurance naming us as an additional insured.

Competition

The Company competes in the waste tire business. Its competitors either shred tires to be used as mulch, filler in asphalt or similar materials, burn tires as fuel to generate electricity or other low value products. As of 2003, about 290 million tires are discarded in the U.S. every year (roughly one per person). Nearly 45% of these scrap tires (130 million) are used as "tire derived fuel" (TDF), which often involves burning the (usually shredded) tires alongside conventional fuels like coal (usually no more than 10-25% TDF is used when co-firing with coal). At the end of 2003, 89 U.S. facilities burned TDF on a regular basis, about half of which (43) are cement kilns with the rest being

pulp/paper mills (17), coal-fired power plants (13), and other industrial boilers or waste incinerators (15). Civil engineering projects using 56 million tires, ground rubber turned into molded rubber products using 18 million tires, ground rubber turned into rubber-modified asphalt using 12 million tires, exported items using 9 million tires, cut/stamped/punched products using 6.5 million tires, and agricultural and miscellaneous uses using 3 million tires. Currently, only two dedicated tire incinerators are currently operating in the U.S. Currently, a giant (800 ton/day) tire incinerator is planned for Erie, PA. The number of facilities burning TDF is increasing. More cement kilns are beginning to use TDF and electric arc furnaces (EAFs) are starting to burn tires. 1

Tire manufacturers, TDF producers (tire shredders) and TDF users (burners) and government agencies promote burning TDF as a solution to the dire problem of waste tires. However, tire incineration under any circumstance creates pollution that makes the air dangerous to breathe.

The Company expects its higher value outputs and efficiency of its process will enable it to effectively compete for waste tires by having a more efficient business model which may allow it to absorb higher raw material costs if need be. Of the approximately 290 million waste tires produced in the U.S. nearly two thirds are shredded then resold by four companies Liberty Tire, Larkin Tires, Emanuel Tires, and Casing Inc.

The Company's competitive advantage in this market is its ability to decompose the tire and produce by-products such as liquid hydrocarbons, and carbon products in an efficient and environmentally safe way. The Company's process is not a way of disposing of tires but rather a way of reclaiming the raw materials used in their production.

There are various organizations using heat derived pyrolysis (thermal pyrolysis) for the production of oil. There are various organizations developing microwave pyrolysis at conventional domestic microwave frequency's. To our knowledge, we are the only organization using microwave pyrolysis at the frequency required to produce valuable outputs such as carbon black. Although traditional thermal peralysis can produce oil and gases from used tires, carbon black is the most valuable and profitable output component of this process.

1."U.S. Scrap Tire Markets 2005," Rubber Manufacturers Association, Nov 2006.
<https://www.rma.org/getfile.cfm?ID=894&type=publication>

Research and Development

Research and development ("R & D") costs consist of all activities associated with the development and enhancement of products using the Company's Technology. R & D costs consist primarily of contract engineer labor and salaries of our in-house engineers, lab supplies used in testing and expenses of equipment used to test and develop our Technology. R & D costs for the twelve months ended December 31, 2009 and 2008 were \$1,607,395 and \$871,622, respectively. The increase in research and development costs for the fiscal year ended December 31, 2009 as compared to the 2008 fiscal year can be attributed to an increase in salary expenses attributed to five full time R&D employees, an increase in the use of outside consultants, depreciation expenses attributed to the depreciation of the prototype machine, Patriot-1, which is depreciated over a three year period beginning in the first quarter of the 2009 fiscal year and in increase in lab supplies.

Number of Employees

As of December 31, 2009 and as of the date of the filing of this report, we have a total of 14 full-time employees and 13 full-time employees, respectively. We have no part-time employees. The Company also retains independent contractors to fulfill certain functions.

Item 1A. Risk Factors

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Item 1B. Unresolved Staff Comments

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Item 2. Description of Property.

The Company leases office space and manufacturing space under several separate lease agreements that are classified as operating leases. The Company has four separate lease agreements. The Company leased lab and office space in New Jersey under a lease agreement that commenced June 1, 2006, the monthly lease payments were \$5,000 per month and the lease expired on May 31, 2009. The Company entered into a new lease on May 12, 2009 to rent only a portion of the current space, for monthly lease payments equal to approximately \$1,700 per month to expire on May 31, 2012. In March of 2010, the Company terminated this lease, as a result of opening a new research and development lab facility in North Carolina. On March 25, 2010, the Company entered into a five year lease agreement for a lab facility and new corporate office headquarters in Morrisville, North Carolina. Lease payments begin at \$13,613 per month and the lease expires in March of 2015. As a result of the termination of the Company’s lease for its research and development lab in Berlin, New Jersey, the Company was assessed a judgment of approximately \$47,000 for the remaining balance of the three year lease. On June 16, 2010, the Company entered into a Settlement Agreement and Mutual Release (“Bloom Settlement Agreement”) in connection with the judgment. The terms of the Bloom Settlement Agreement provide that the Company would pay an aggregate of \$24,500 to be paid in installments pursuant to the terms of the Bloom Settlement Agreement.

The Company also leased manufacturing space in Rockford, Illinois under a lease agreement that commenced May 1, 2008 and expired on April 30, 2010, the monthly lease payments are \$2,703 per month and the lease expired on April 30, 2010. In October 2008, the Company entered into a new lease for new corporate headquarters office space in New Jersey and a deposit of \$47,500 was made in October 2008. The Company moved into the 5,124 square feet of office space in March 2009. The lease is for five years with monthly payments beginning at \$6,567 per month and the lease expires in April of 2014. The Company entered into a new lease for lab and office space in North Carolina in March 2010. The lease is for five years with monthly payments beginning at \$13,613 per month and the lease expires March 2015. With all leases, the Company is required to pay property taxes, utilities, insurance and other costs relating to the leased facilities.

Rent expenses for the years ended December 31, 2009 and 2008, and for the cumulative period July 19, 2002 (inception) to December 31, 2009 were approximately \$151,000, \$85,000 and \$399,000, respectively.

We believe that our leased facilities are suitable and adequate for our operational requirements as currently contemplated.

Item 3. Legal Proceedings.

In April 2010, Mr. Jeff Kimberly, the Company’s former President, filed a lawsuit in the Superior Court of New Jersey in Burlington County against the Company, Brian Ettinger and Ken Kinsella, the Company’s former Chairman of the Board and Chief Executive Officer, respectively, for wrongful termination of his employment contract. Mr. Kimberly is asking for the remaining salary in the amount of approximately \$225,000, and stock options to purchase up to 1,500,000 shares of the company’s Common Stock, allegedly owned to him under his employment contract dated September 23, 2008. As of the date of the filing of this report, the Company is in settlement negotiations with Mr. Kimberly.

Except as otherwise described herein, there are presently no other material pending legal proceedings to which the Company, any of its subsidiaries, any executive officer, any owner of record or beneficially of more than five percent

of any class of voting securities is a party or as to which any of its property is subject, and no such proceedings are known to the Company to be threatened or contemplated against it.

Item 4. Removed and Reserved.

PART II

Item 5. Market for Common Equity, Related Stockholder Matters and Small Business Issuer Purchases of Equity Securities.

Market Information

Our common stock has been traded over the counter on the Pink Sheets since April 2007. The trading symbol for our common stock is "GBRC." Prior to April 2007 our common stock traded on the OTC Bulletin Board. In April 2007 our common stock was delisted from the OTC Bulletin Board for failure to satisfy applicable maintenance criteria. The following table sets forth quarterly high and low sales prices for the common stock for the periods presented as reported by the OTC Bulletin Board and, since April 2007, the Pink Sheets. We consider our stock to be "thinly-traded" and any reported sales prices may not be a true market based valuation of the stock.

	High	Low
4th Quarter 2009, ended 12/31/09	\$ 1.20	\$ 0.50
3rd Quarter 2009, ended 9/30/09	\$ 1.35	\$ 0.77
2nd Quarter 2008, ended 6/30/09	\$ 2.00	\$ 0.90
1st Quarter 2009, ended 3/31/09	\$ 1.41	\$ 0.80
4th Quarter 2008, ended 12/31/08	\$ 2.25	\$ 0.99
3rd Quarter 2008, ended 9/30/08	\$ 2.43	\$ 0.73
2nd Quarter 2008, ended 6/30/08	\$ 4.38	\$ 1.76
1st Quarter 2008, ended 3/31/08	\$ 3.65	\$ 1.46

On December 21, 2010, the last sale price of our common stock as reported by the Pink Sheets was \$0.21 per share.

Holders

The number of record holders of our Common Stock, as of December 21, 2010, was approximately 330 based on information received from our transfer agent. This amount excludes an indeterminate number of shareholders whose shares are held in "street" or "nominee" name.

Dividend Policy

The Company has not paid any cash dividends since inception and we do not anticipate or contemplate paying cash dividends on our Common Stock in the foreseeable future. It is our present intention to utilize all available funds for the development of our business.

On March 11, 2010, the board of directors of the Company declared a dividend, payable to stockholders of record on March 11, 2010 (the "Record Date") and for all shares of Common Stock issued after the Record Date, of one right (the "Rights") per each share of the Company's outstanding Common Stock, to purchase 1/1,000th of a share of Series I Preferred Stock, par value \$0.001 per share, of the Company at a price of \$100.00 per share (such amount may be adjusted from time to time, in accordance with the terms and conditions of that certain Rights Agreement, dated March 11, 2010 (the "Rights Agreement") by and between the Company and Olde Monmouth Stock Transfer Co., Inc. as Rights Agent). The Rights Agreement was filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on March 15, 2010 and is incorporated herein by reference.

The Rights are not exercisable until the earlier of the following dates (each a “Distribution Date”):

- (a) such date the Company learns that a person or group (including any affiliates or associate of such person or group) has acquired, or obtained the right to acquire, beneficial ownership (as defined in the Rights Agreement) of more than 20% of the outstanding Common Stock of the Company (or, in the case of any person with beneficial ownership of more than 20% at the time the Rights Agreement is entered into, any additional Common Stock is acquired by such person (except upon exercise of certain stock options or vesting of restricted shares) (any person or group specified in the foregoing bullet point, an “Acquiring Person”); and
- (b) such date, if any, as may be designated by the Board following the commencement of, or first public disclosure of an intention to commence, a tender or exchange offer for outstanding Common Stock which could result in a person or group becoming the beneficial owner of more than 20% of the outstanding Common Stock of the Company.

The Rights will expire on March 11, 2013 (the “Expiration Date”), unless earlier redeemed or cancelled by the Company.

The Rights are redeemable by the Board at a redemption price of \$0.00001 per Right (the “Redemption Price”) any time prior to the earlier of (i) the Distribution Date and (ii) the Expiration Date. Immediately upon the action of the Board ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

As of the date of filing, no Rights have been exercised or become exercisable.

Recent Sales of Unregistered Securities

Set forth below is information, as of December 31, 2009, regarding the numbers of shares of capital stock, options, warrants and convertible debt sold by the Company during the year ended December 31, 2009 and which were not previously reported in a Quarterly report on Form 10-Q or in a Current Report on Form 8-K, without registration under the Securities Act of 1933, as amended (the “Securities Act”), as well as the consideration received by the Company for such shares, options, warrants and convertible debt.

Sales of Common Stock and Warrants

On October 5, 2009, the Company issued 450,000 shares of its Common Stock to Eric Swain in compliance with the terms of the Settlement Agreement and Release entered into between the Company and Mr. Swain on October 2, 2009. The securities were issued in connection with an exemption from registration provided by Section 4(2) of the Securities Act.

On November 30, 2009, the Company issued 300,000 shares of its Common Stock to AGS Capital Group, LLC, valued at \$240,000, pursuant to the terms of the REF Agreement entered into between the Company and AGS Capital Group, LLC on November 24, 2009. The securities were issued in connection with an exemption from registration provided by Section 4(2) of the Securities Act.

On December 16, 2009, the Company issued and sold 250,000 shares of its Common Stock to Patrick Doherty for \$125,830. The securities were issued in connection with an exemption from registration provided by Section 4(2) of the Securities Act.

Securities Issued For Services Provided

The Company issued the following shares of stock for the provision of services pursuant to an exemption from registration provided by Section 4(2) of the Securities Act.

Common Stock

Name	Shares Issued	Date of Issuance	Service Provided	Value
Woody Fuel Consultants	250,000	November 20, 2009	Consulting	\$ 227,500
Corporate Results, Inc.	250,000	November 25, 2009	Consulting	\$ 217,500
Private Capital Group, Inc.	500,000	December 16, 2009	Consulting	\$ 290,000
Brian Ettinger	150,000	December 17, 2009	Board of Director	\$ 87,000
Kim O'Brien	200,000	December 17, 2009	Board of Director	\$ 116,000
Jonathan Simon	200,000	December 17, 2009	Board of Director	\$ 116,000
Westerman Ball Ederer Miller & Sharfstein, LLP	200,000	December 17, 2009	Legal	\$ 124,000
Brian Ettinger	250,000	December 18, 2009	Consulting	\$ 145,000
Gunnadoo Consulting LLC	100,000	December 21, 2009	Consulting	\$ 58,000

Warrants to Purchase Common Stock

The Company issued the following warrants for the provision of services pursuant to an exemption from registration provided by Section 4(2) of the Securities Act.

Name	Number of Warrants Issued	Date of Issuance	Value	Exercise Price	Expiration Date
Woody Fuel Consultants	100,000	November 20, 2009	\$ 54,650	\$ 0.85 per share	November 20, 2011
Corporate Results, Inc.	100,000	November 23, 2009	\$ 52,750	\$ 0.85 per share	November 23, 2011
Peter A. Worthington	200,000	December 15, 2009	\$ 80,000	\$ 0.40 per share	April 7, 2013

Issuer Purchases of Equity Securities

There were no repurchases of equity securities by us or any affiliated purchasers during the fourth quarter of the year ended December 31, 2009.

Item 6. Selected Financial Data

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

Overview

Since the acquisitions of the assets of CRC and Mobilestream in 2006, our business became, and continues to be: (i) the design, manufacture and sale of machinery and equipment units, embodying the Technology for decomposing petroleum-based materials by subjecting them to microwave radiation at specifically selected frequencies for a time sufficient to at least partially decompose the materials and focused on specific applications; (ii) the ownership and operation of plants to use the Technology in conjunction with other investors and (iii) the formation of joint-venture and licensing relationships with established companies for exploitation of the Technology. Currently, our efforts are directed principally to the design, manufacture and sale of machinery and equipment. Under the Company's current strategy, the Company's revenue is likely to be generated from the development, licensing or sale of our proprietary Technology and/or design, manufacture and sale of machinery and equipment units. For machinery and equipment, sales revenue will be recognized when the machinery and equipment is shipped, installed and operating successfully at the destination site. For licensing agreements, revenue is recognized when services have been rendered per the terms of the licensing agreements.

In October 2008, we completed our first commercial prototype machine that uses our Technology for decomposing tires, the Patriot-1. The Company will continue to test and refine the features of the prototype for use with tires and other "feedstocks", i.e. materials that would be amenable to the Company's Technology. The Company intends to work with prospective customers to create systems for the manipulation of large amounts of tires to be processed through a machine.

We have no manufacturing capability of our own. We have completed a prototype machine, Patriot-1 and this prototype machine is being tested initially to apply our microwave Technology to the decomposition of tires as waste and to retrieve commercially viable components there from in the form of carbon, liquid hydrocarbons which can be converted to electricity, and gas. We will use our prototype primarily to confirm and refine the principles that will be utilized in commercial scale operations of our Technology. We also will use it to test various feedstocks, materials that can benefit from the application of our Technology, prior to releasing processes for production. The prototype will also be used on a limited basis to show customers that the process works as applied to a specific feedstock and is viable for commercialization.

We do not intend to research nor represent to potential customers the commercial uses or revenues they may derive from the end-products generated using our Technology. Each potential customer will be expected to evaluate for itself whether the commercialization and disposition of the end products justifies the cost to purchase and install one of our machines.

Results Of Operations

Results of Operations for the Years Ended December 31, 2009 compared to December 31, 2008

(A) REVENUES

The Company earned \$180,000 in revenues from operations for the year ended December 31, 2009 and had no revenues for the year ended December 31, 2008. Revenue recorded for the 2009 fiscal year was derived from a Joint Development Agreement executed as of April 23, 2009 (the "JDA"). See "Joint Development Agreement" above for details. Pursuant to the JDA, we received \$300,000 on May 22, 2009 which was recorded as deferred revenue in the condensed consolidated balance sheet. Revenue is recognized when services have been rendered. As of December 31, 2009, a balance of \$120,000 remains in the deferred revenue account on the consolidated balance sheet.

Prior to September 2009, we had no revenues from operations since the closing of the acquisitions of the assets of Carbon Recovery Corporation in September 2006 and Mobilestream Oil, Inc. in December 2006.

(B) TOTAL OPERATING EXPENSES

Total operating expenses consist of professional fees, investor relations and investment banking fees, other general and administrative expenses, and research and development costs. Total operating expenses were \$14,146,611 for the twelve months ended December 31, 2009 compared to \$24,132,280 for the twelve months ended December 31, 2008, a decrease of approximately \$9,985,669 or approximately 41%.

Changes in General and Administrative Expenses versus the prior year were the following:

For the fiscal year ended December 31, 2009 our general and administrative expenses decline approximately \$10.7 million dollars for a total of approximately \$12,539,000, as compared to approximately \$23,261,000 for the fiscal year ended December 31, 2008. This significant reduction was primarily due to a reduction in our investment banking fees, investor relations and professional fees associated with the raise of capital. The Company has recorded expenses for investment banking fees, investor relations, and professional fees broadly to include expenses incurred for ancillary activities and expenses for penalties and settlements related to professional services, investment banking and public relations activities. Total professional fees and investment banking fees and investor relations expenses were approximately \$16.3 million dollars for the twelve months ended December 31, 2008 compared to approximately \$700,000 for the twelve months ended December 31, 2009, a decrease of approximately \$15.6 million dollars. The Company issued 7,014,849 shares of common stock for services performed or to be performed by non-employees, valued in the amount of \$13.7 million dollars, mainly for investment banking fees, investor relations and professional fees in the fiscal year 2008. The Company issued minimal shares in the fiscal year 2009 which is the primary reason for the decline of approximately \$15.6 million in investment banking fees, investor relations and professional fees for the twelve months ended December 31, 2009. The value of services was determined based upon the stock market price at the date the stock was issued. Other changes in professional fees were as follows: a decrease in legal fees of approximately \$275,000, to approximately \$563,000 for the twelve months ended December 31, 2009 versus \$838,000 in 2008. Accounting fees increased from approximately \$273,000 for fiscal year 2008 to approximately \$661,000 in fiscal year 2009, an increase of approximately \$388,000. The significant increase in accounting fees are due to the additional audit work needed to be performed by our auditors as a result of the Company filing a Current Report on Form 8-K on April 2, 2009, concerning non-reliance on previously issued financial statements.

Other general and administrative (“other G&A”) expenses were approximately \$6,303,000 for the twelve months ended December 31, 2009 compared to \$5,854,000 for the twelve months ended December 31, 2008, an increase of approximately \$449,000 or 7.7% increase. The increase in other G&A expenses for fiscal year ended December 31, 2009 was due to the following: (a) The total salary & wages related expenses increased approximately \$347,000, and direct salary expenses increased approximately \$260,000 because of addition of employees, including the new Company CEO, (b) Severance expenses increased approximately \$748,000 for the fiscal year 2009, to approximately \$2.5 million dollars versus severance expenses in the amount of approximately \$1.2 million dollars for the agreement that was reached with former CEO, Frank Pringle and an expense of \$1.2 million dollars was recorded in 2008; (c) an expense of \$560,000 was recorded in 2008 for indemnification costs due to the potential expense of reimbursing Eric Swain, the Company’s new CEO, for expenses related to Mr. Swain’s early termination of his employment with his prior employer, Morgan Stanley; (d) travel and entertainment was approximately \$278,000 for the fiscal year ended December 31, 2009, as compared to approximately \$192,000 for the fiscal year ended December 31, 2008, an increase of approximately \$86,000, mainly due to increased travel to the production facility in Rockford, Illinois; (e) payment to members of the board of directors in the form of stock warrants began in 2008 and for the twelve months ended December 31, 2009, the Company recorded expenses in the amount of approximately \$81,000, for compensation to Board of directs as compared to approximately \$113,000 for the twelve months ending December 31, 2008 and (f) rent costs increased approximately \$90,000 for the twelve months ending December 31, 2009 as compared to the same period in 2008, mainly due to an the new corporate headquarters in Mount Laurel, New Jersey.

Research and development (“R & D”) costs consist of all activities associated with the development and enhancement of products using the Company’s Technology. R & D costs consist primarily of contract engineer labor and salaries of our in-house engineers, lab supplies used in testing and expenses of equipment used to test and develop our Technology. Research and development costs are expensed when incurred. R & D costs for the twelve months ended December 31, 2009 and 2008 were \$1,607,395 and \$871,622, respectively. The increase of \$735,773 as compared to prior fiscal year can be attributed to the following: Salary expenses increased approximately \$479,000 for the full year impact of five full time R&D employees, the use of outside consultants increased approximately

\$155,000 versus the prior year, depreciation expense increased approximately \$308,000, mainly for the depreciation of the prototype machine, Patriot-1, which is being depreciation over a three year period beginning in first quart 2009, and lab supplies increased approximately \$147,000 which were offset by a \$350,000 decline in machine parts write-off taken in the fiscal year 2008.

(C) OPERATING LOSS

Operating loss for the year ended December 31, 2009 was \$13,966,611 compared to \$24,132,280 for the year ended December 31, 2008. The decrease in operating loss for the year ended December 31, 2009 of \$10,165,669 was mostly attributable to the decrease in general and administrative expenses as described above in paragraph (B) offset by the increase in research and development expenses as well as the revenue from the Joint Development Agreement. The operating loss from July 19, 2002 (inception) to the year ended December 31, 2009 was \$55,450,021 which was mostly attributable from the general and administrative expenses with virtually no offsetting revenue for this period.

(D) OTHER INCOME (EXPENSE)

Interest expense, interest income, realized gains / (losses), change in fair value of derivative financial instruments and other income are included in Other Income (Expense). Total other income was \$1,674,507 for the twelve months ended December 31, 2009 compared to other income of \$8,636,931 for the twelve months ended December 31, 2008, the decrease of \$6,962,424 is primarily due to the fair value change in the derivative financial instruments.

Interest expense for the twelve months ended December 31, 2009 was \$13,806 compared to \$17,981 for the twelve months ended December 31, 2008, a decrease of \$4,175. The 2009 lower interest expense is the result of certain Company loans nearing maturity.

Interest income for the twelve months ending December 31, 2009 and 2008 was \$116,506 and \$185,025, respectively. The twelve months' decrease of \$68,519 or 37% in interest income is attributed to the Company having to use its surplus of cash for operation in fiscal year 2009. In fiscal year ended December 31, 2008 the Company had a surplus of cash as a result of sales of common stock to investors. In April of 2008, \$4,000,000 of surplus cash was invested in short term investments. Due to the decline in the stock market in the fourth quarter of 2008 the Company reclassified \$837,850 on unrealized losses on its investments in preferred stock to realized losses, as the impairment was deemed to be other than temporary at December 31, 2008. The Company liquidated all short-term investments and recognized realized losses associated with these transactions in the amount of \$20,027 for the twelve months ended December 31, 2009.

At December 31, 2009 the change in the fair value of derivative financial instruments resulted in income of \$1,591,834 in 2009 versus income of \$9,358,836 in 2008, for a change of \$7,767,002.

Other expenses for the twelve months ending December 31, 2009 and 2008 were \$0.0 and \$7,181 respectively.

(E) NET LOSS

The net loss for the twelve months ended December 31, 2009 was \$12,292,104 (\$0.19 per share) compared to \$15,495,349 (\$0.33 per share) for the twelve months ended December 31, 2008, a change of \$3,203,245. The Company continues to incur losses losses are attributable to very little revenue stream, and the Company is still in development stage. The Company's expenses have increased significantly as a result of non-cash charges related to expenses for investment banking, investor relations and public relations services as payments were made by the issuance of common stock for such services rendered during the fiscal year ended December 31, 2008. As a development stage company that began operations in 2002, the Company has incurred \$42,062,378 in cumulative total net losses from inception through December 31, 2009.

OPERATING ACTIVITIES

Net cash used in operating activities was approximately \$4,867,000 for the twelve months ended December 31, 2009 compared to approximately \$5,175,000 for the twelve months ended December 31, 2008, a decrease of approximately \$308,000. This \$4.9 million and \$5.2 million use of cash is a result of operating expenses incurred for the fiscal years ended December 31, 2009 and 2008, respectively. As a development stage company that began operations in 2002, the Company has used net cash in operating activities of approximately \$17,411,366 from inception through December 31, 2009.

INVESTING ACTIVITIES

Net cash provided by investing activities was \$2,059,648 for the twelve months ended December 31, 2009 and net cash used in investing activities was \$4,691,496 for the twelve months ended December 31, 2008. Cash provided by investing activities for fiscal year 2009 was mainly the proceeds from the sales of the Company's short-term investments. For the fiscal year 2008 the cash used for investing activities was (a) the purchases of marketable securities in amounts of \$4 million dollars and (b) purchases of materials in the amount of approximately \$930,000 for construction of our prototype machine.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2009, the Company had total current assets of \$617,870 and total current liabilities of \$2,194,832, resulting in negative working capital of \$1,576,962. At December 31, 2009, the Company's current assets consisted of \$40,620 in cash and \$577,250 in prepaid services. As a development stage company that began operations in 2002, the Company has incurred \$42,062,378 in cumulative total net losses from inception through December 31, 2009.

As of December 31, 2009, the Company had only \$40,620 in cash and cash equivalents. The Company projects total cash expenditures needed for the next twelve months ending December 31, 2010 of approximately \$3.5 million (operating expenses of approximately \$3.2 million and capital expenditures of approximately \$0.3 million). The Company has taken extreme measures in reducing operating expenses, particularly payroll expenditures by reducing salaries and by cutting staff to bare minimum. Our actual operations will be affected by reduction in our payroll and staff related matters. These reductions will impact our timetables for experimentation and testing trials. Technological or engineering difficulties are being solved by use of outside consultants. Due to the fact that the Company incurred substantial net losses for the cumulative period from July 19, 2002 (inception) to December 31, 2009 and that it currently has only a small revenue stream to support itself, there is doubt about the Company's ability to continue as a going concern.

The Company has been successful in obtaining the required cash resources by issuing stock to service some of the Company's operations through the twelve months ended December 31, 2009 and 2008. Net cash provided by financing activities was \$834,115 for the year ended December 31, 2009 compared to net cash provided by financing activities of \$11,099,837 for the year ended December 31, 2008, a reduction change of \$10,265,722. This decline was primarily the result of the decline in the sales of common stock. During the twelve months ended December 31, 2008, the Company sold 13,195,925 shares of common stock for gross proceeds of \$12,892,731 as compared to only 250,000 shares of common stock for gross proceeds of \$125,830 for the twelve months ended December 31, 2009. Subsequent to the year ended December 31, 2009, between January 1, 2010 and June 15, 2010 the Company has sold 2,170,297 shares of its common stock for \$722,535 in cash.

In addition to the sale of common stock also between January 1, 2010 and June 15, 2010 the Company has received approximately \$1.2 million dollars in cash in exchange for numerous convertible promissory notes payable. These convertible promissory notes payable can be converted into our Series A Preferred Stock at a conversion prices of approximately \$0.24 per share, the notes have a maturity date of May 31, 2011, none of the promissory notes have be

converted to preferred stock as of the issuance of these Consolidated financial Statements, 2010.

The Company has continued to issue stock or options or warrants to various vendors (non-employees) as payments for services rendered. For the twelve months ended December 31, 2009, the Company issued 2,449,000 shares of common stock in payment of services valued at \$2,286,050. In the twelve months ended December 31, 2008, the Company issued 7,714,849 shares of common stock in payment of services valued at \$15,590,215, including 650,000 common stock shares granted to an investor as part of a non-compliance clause in the contract with that investor. The grant of common stock was recorded as expense to the consolidated statement of operations and comprehensive loss in the amount of \$1,358,500. Warrants issued for services were valued using the Black-Scholes option-pricing model, with expected volatility ranging from 115% to 168%, risk-free interest rate ranging from .78% to 2.89% and expect life a half year to five years. For the fiscal year ended December 31, 2008, the Company also granted 9,537,782 warrants with an average exercise price of \$2.00 in conjunction with the sale of common stock in a private placement. Since these warrants were part of the purchase agreement they had no impact on the Company's profit or loss.

For the twelve months ended December 31, 2009, the Company granted 3,000,000 common stock options to the Chief Executive Officer for services to be provided, and the Company recorded an expense of approximately \$71,600 in the fiscal year ended December 31, 2009 to the consolidated statement of operation and comprehensive loss. Such options were cancelled in November of 2010. For the twelve months ended December 31, 2008, the Company authorized the grant of 8,950,000 common stock options to employees for services to be rendered or to be performed.

In September 2008, pursuant to a Summary of Terms of Proposed Employment Agreement with Eric Swain, the Company's new CEO, and as part of a series of employment term sheets, the Company authorized the grant of a total of 8,500,000 stock options to four key executives. 5,000,000 of those stock options were granted to the Company's new CEO, Eric Swain. The other 3,500,000 stock options were granted to three other officers of the Company and were subject to stockholder approval of an amendment to the Company's stock option plan increasing the number of authorized shares available for issuance under the plan. All of these options have an exercise price of \$1.18. 1,000,000 of Mr. Swain's options vested immediately and the balance will vest in equal annual installments of 1,000,000 options on September 23, 2009 and on each anniversary thereafter for the three years thereafter. Of the combined 3,500,000 options granted to the three other executives, one-fifth of those options will vest immediately upon approval of the amendment of the Company's stock option plan and the remainder will vest one-fifth on September 23, 2009 and an additional one-fifth on each anniversary thereafter for the next three years, provided that the executives are employed by the Company at each vesting date. As of December 31, 2008, total unrecognized compensation cost related to unvested stock options for the CEO's options is approximately \$4,160,000, which is to be recognized over the expected term of five years. The assumptions used in the Black-Scholes option-pricing model used to determine the fair value of the options are: a dividend yield of 0%; an expected volatility rate of 123.5%; a risk-free interest rate of 2.93%; and an expected life of approximately six years. Expected forfeitures were estimated to be 0%. No compensation expense was recorded for the 3,500,000 options awaiting stockholders approval during the year ended December 31, 2008 because options under an arrangement that is subject to stockholder approval are not deemed to be granted until that approval is obtained unless approval is essentially a formality which the Company has deemed not to be the case. No expense was recorded as of December 31, 2009 for options awaiting stockholders approval since they are not deemed to be granted until that approval is obtained unless approval is essentially a formality which the Company has deemed not to be the case. For Mr. Swain's options still to be delivered, the liability was revalued to its fair value at December 31, 2009 and the compensation expense was reduced by \$568,000 in the financial statements. The expenses recorded were valued using the present value of expected future outflows. Subsequent to year end December 31, 2009 the Swain Severance Agreement was amended on January 26, 2010, the remaining 1.2 million shares of its registered common stock to be issued on future dates in 2010 and 2011 was replaced by issuing Mr. Swain 1.4 million shares of its restricted common stock subject to SEC rule 144 on January 27, 2010.

On February 9, 2010, the company agreed to exchange the 1,000,000 shares of the Company's Common Stock previously granted to Mr. Jeffrey Andrews, (former CFO) exercisable at \$1.18 per share, of which the option to purchase 400,000 shares had already vested, subject to stockholder approval of an amendment to the plan pursuant to which they were issued, was replaced with a Warrant to purchase 1,000,000 shares of the Company's Common Stock at \$1.18 per share, of which 400,000 is immediately exercisable and the remainder of which is exercisable on January 31, 2011, except that the Warrant will become immediately exercisable in full in the event that the Company terminates the Consulting Services Agreement at any time or Mr. Andrews terminates the Consulting Services Agreement after six months. The Warrant expires on January 31, 2013.

On April 27, 2009, with the retirement of Mr. Wayne Koehl, 600,000 of his options still waiting stockholders' approval were cancelled. Of the combined 2,900,000 options granted to Mr. Koehl and the two other executives, one-fifth of these options will vest immediately upon approval of the amendment of the Company's stock option plan, and the remainder are scheduled to vest one-fifth on September 23, 2009, and an additional one-fifth on each anniversary thereafter, for the next three years, provided that the executives are employed by the Company at each vesting date, or the options are subject to the terms of a retirement or severance agreement. On February 4, 2010 the Company entered into an agreement to exchange previously granted employee stock options which were subject to shareholders approval for Company warrants. Mr. Koehl was issued 400,000 warrants with an exercise price of \$1.18 per share in exchange for the 400,000 options, these warrants are exercisable immediately and have an expiration date of December 31, 2018.

On February 19, 2009, the Company authorized 75,000 common stock options to an employee. These options have an exercise price of \$1.27, and expire on February 19, 2019. The option vest one-third on the one year anniversary of the grant date, one-third on the two year anniversary of the grant date one-third on the three year anniversary of the grant date. These options were granted under the Company's 2008 Incentive Stock Option Plan, as amended, and are subject to stockholders' approval of an Amendment to the Plan, increasing the number of shares available for issuance. No expense has yet to be recorded for the unapproved options.

On January 29, 2009, the Company authorized 35,000 common stock options to staff employees. These options have an exercise price of \$1.02, an expiration date of ten years from grant date and become fully vested on July 1, 2009. These options were granted under the Company's 2008 Incentive Stock Option Plan, as amended and are subject to stockholders' approval of an Amendment to the Plan, increasing the number of shares available for issuance. No expense has yet to be recorded for the unapproved options.

In November 2008, the Company authorized the grant of 450,000 stock options to three employees which are also subject to stockholder approval of an amendment to the Company's stock option plan increasing the number of authorized shares available for issuance under the plan. These options have an exercise price of \$1.24 per share and expire on November 21, 2018. 150,000 options vest immediately upon stockholder approval of the stock option plan amendment, 150,000 vest on January 1, 2010, and the remainder vest on January 1, 2011. The assumptions used in the Black-Scholes option-pricing model used to determine the fair value of the options are: a dividend yield of 0%; an expected volatility rate of 159.5%; a risk-free interest rate of 2.12%; and an expected life of approximately six years. Expected forfeitures were estimated to be 0%. No expense was recorded for the unapproved options during the year ended December 31, 2008.

CAPITAL RESOURCES

(A) LONG-TERM DEBT OBLIGATIONS

The Company entered in two loan agreements for the purchase of equipment. The principal amount of a five year loan entered into in January 2006 is \$75,000 with an interest rate of 13.43% annually and a monthly payment of \$1,723. In October 2006 the Company entered into second loan with a principal amount of \$73,817 at an interest rate of 8.71% annually and was fully paid as of December 31, 2009. The total remaining loan payments including interest is approximately \$19,000.

(B) CAPITAL LEASES

The Company leases certain phone and computer equipment under an agreement that is classified as a capital lease. The cost of equipment under capital leases is included in the balance sheets as part of property and equipment. The monthly lease payments are \$1,293 per month, until June 2011. The total future minimum lease payments are

\$19,408.

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(C) OPERATING LEASES

The Company has four separate lease agreements. The Company leases two separate facilities in New Jersey. (i) The lab and office space in New Jersey under a lease agreement that commenced June 1, 2006, the monthly lease payments were \$5,000 per month and the lease expired on May 31, 2009. The Company entered into a new lease on May 12, 2009 to rent only a portion of the current space, the monthly lease payments are approximately \$1,700 per month and the lease expires on May 31, 2012. (ii) The Company also leases manufacturing space in Rockford, Illinois under a lease agreement that commenced May 1, 2008, the monthly lease payments are \$2,703 per month and the lease expires on April 30, 2010. (iii) In October 2008, the Company entered into a new lease for new corporate headquarters office space in New Jersey, and a deposit of \$47,500 was made in October 2008. The Company moved into the 5,124 square feet of office space in March 2009. The lease is for five years with monthly payments beginning at \$6,567 per month and the lease expires April 2014. (iv) The Company entered into a new lease for lab and office space in North Carolina in March 2010. The lease is for five years with monthly payments beginning at \$13,613 per month and the lease expires March 2015. With all leases, the Company is required to pay property taxes, utilities, insurance and other costs relating to the leased facilities. In March of 2010, as a result of the new North Carolina new lab facility, the Company terminated the lease for the current R&D lab in Berlin, New Jersey, the Company was assessed a judgment of approximately \$47,000 for the remaining balance of the three year lease and the Company is currently in settlement negotiation with lease holder

Rent expense for the years ended December 31, 2009 and 2008, and for the cumulative period July 19, 2002 (inception) to December 31, 2009 was approximately \$151,000, \$85,000 and \$399,000, respectively. The total future minimum annual lease payments are approximately \$1,278,000.

(D) PURCHASE OBLIGATIONS

In June 2007, the Company entered into a purchase agreement with Ingersoll Production Systems of Rockford, Illinois to build a commercial prototype machine. The total purchase commitment was originally approximately \$770,000. The Company has paid approximately \$1,200,000 as of December 31, 2009 under this agreement. This amount is reflected in the accompanying 2008 consolidated balance sheet as part of the construction in progress component of property and equipment, and, to the extent of modifications to the prototype machine being made, in the accompanying 2008 consolidated statement of operations as R & D expense. In addition to the agreement with Ingersoll Production Systems, there are various other suppliers with which the Company has purchase commitments, all commitments related to the prototype machine have been accrued and expense as of the fiscal year ended December 31, 2009.

OFF BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. We do not engage in trading activities involving non-exchange traded contracts.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities. Certain critical accounting policies requiring significant judgments, estimates and assumptions are detailed below. We consider an accounting estimate to be critical if (1) it requires assumptions to be made that are uncertain at the time the estimate is made and (2) changes to the estimate or different estimates, that could have reasonably been used, would have materially changed our consolidated financial statements.

Development Stage Company

The Company is considered to be in the development stage as defined the Financial Accounting Standards Board ("FASB") in accordance with Accounting Standards Codification ("ASC"), 915-205-45 "Accounting and Reporting by Development Stage Enterprises"

Short-term Investments

Cash in excess of operating requirements is invested in marketable debt and equity securities, all of which are classified as available for sale, and are carried at their fair value. The unrealized gains or losses of these investments, which are deemed to be temporary in nature are recorded as part of accumulated other comprehensive income (loss) in the consolidated statement of stockholders' equity. Realized gains or loss and declines in value judged to be other-than-temporary on these investments are recognized as realized gains or losses in the consolidated statements of operations and comprehensive loss. As of December 31, 2008, the Company has reclassified a significant amount of unrealized losses from the consolidated statement of stockholders' equity to the consolidated statement of operations and comprehensive loss as realized losses due to the probability that the Company may not get any new significant inflows of cash, and for the year ended December 31, 2009, will have liquidated all of the short term investments and recognized realized losses associated with these transaction.

Patents

Legal fees associated with patents, which are expected to be issued are recorded as prepaid patent costs on the accompanying consolidated balance sheets. Upon approval by the relevant patent office, the prepaid patent costs will be reclassified to an intangible asset, and amortized over the expected life of the patent. The value of the patent(s) will be reviewed each year for possible impairment and expensed in the year it is determined that a write-down in the value of the patent is required. Prepaid patent costs associated with patents which are not approved or abandoned are expensed in the period in which such patents are not approved.

Research and Development Costs

The Company complies with the accounting and reporting requirements of SFAS No. 2, "Accounting for Research and Development Costs (as amended)". Research and development ("R & D") costs consist of all activities associated with the development and enhancement of products using the Company's microwave technology. R & D costs consist primarily of contract engineer labor and salaries of our in-house engineers, lab supplies used in testing and expenses of equipment used to test and develop our Technology. R & D costs are expensed when incurred. The amounts charged to operations for the years ended December 31, 2009 and 2008, and for the cumulative period July 19, 2002 (inception) to December 31, 2009 were \$1,607,395, \$871,622 and \$2,888,434, respectively.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted FASB ASC No. 718, "Share-Based Payment," requiring the expense recognition of the estimated fair value of all share-based payments issued to employees. Prior to this, the estimated fair value associated with such awards was not recorded as an expense, but rather was disclosed in a footnote to the Company's consolidated financial statements. The compensation cost associated with these awards is recorded as an expense within the same functional expense category as cash compensation for the respective grantee. No tax benefit has been recognized with respect to this expense.

The valuation of employee stock options and warrants is an inherently subjective process since market values are generally not available for long-term, non-transferable employee stock options and warrants. Accordingly, an option pricing model is utilized to derive an estimated fair value. In calculating the estimated fair value of its stock options and warrants, the Company used a Black-Scholes pricing model which requires the consideration of the following seven variables for purposes of estimating fair value:

the stock option or warrant exercise price,

the expected term of the option or warrant,

the grant date fair value of our common stock, which is issuable upon exercise of the option or warrant,

the expected volatility of our common stock,

expected dividends on our common stock (we do not anticipate paying dividends for the foreseeable future),

the risk free interest rate for the expected option or warrant term, and

the expected forfeiture rate

Of the variables above, the selection of an expected term and expected stock price volatility are the most subjective. Our estimate of the expected term for options and warrants awarded in the year ended December 31, 2009 was between six-months and five years and was derived based on the weighted average of the sum of the vesting term and the original contract term at the date of issuance. In estimating its stock price volatility, the Company analyzed its historic volatility for a period equal to the expected term of its stock options and warrants awarded for the year ended December 31, 2008, by reference to actual stock prices during this period and calculated an estimated volatility between 117% to 159%. The Company believes that each of these estimates, including both expected term and volatility, is reasonable in light of the data it has analyzed. However, as with any estimate, the ultimate accuracy of these estimates is only verifiable over time. The specific valuation assumptions noted above were applied to stock options and warrants that the Company granted subsequent to its adoption of ASC No. 718. The Company expects that share-based compensation expense will continue to have a material impact on its financial results for all subsequent fiscal years.

Prior to January 1, 2006, the Company accounted for its stock-based compensation using the intrinsic value method of accounting under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25"). The Company's stock-based compensation awards have generally been granted with an exercise price equal to the estimated fair value of the underlying common stock on the grant date, and accordingly, any stock-based compensation related to stock option grants was not material under APB No. 25. The Company applied the disclosure provisions under ASC No. 718, "Accounting for Stock-Based Compensation" and related interpretations as if the fair value had been applied in measuring compensation expense.

The effect on the Company's net loss as if the Company had applied the fair value recognition provisions of ASC No. 718 to stock-based compensation during the cumulative period July 19, 2002 (inception) to December 31, 2009 was not material.

On January 1, 2006, the Company adopted the provisions of ASC No. 718 using the modified prospective transition method. The total expense associated with stock-based employee compensation was approximately \$2,276,000 for the year ended December 31, 2009, and \$1,040,000 for the year ended December 31, 2008 and \$3,316,000 for the period July 19, 2002 (inception) to December 31, 2009.

For non-employees, stock grants and stock issued for services are valued at either the invoiced or contracted value of services provided, or to be provided, or the fair value of stock at the date the agreement is reached, whichever is more readily determinable. Warrants or options issued for services provided, or to be provided, are valued at fair value at the date the agreement is reached.

Earnings (Loss) Per Share of Common Stock

The Company complies with the accounting and reporting requirements of FASB ASC No. 260, "Earnings Per Share". Basic loss per share is calculated by dividing net loss attributable to common shares by the weighted average number of outstanding common shares for the period. Diluted earnings per common share includes dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants and the conversion of convertible preferred stock.

Unexercised common stock options and warrants to purchase common stock, and preferred stock convertible into common stock as of December 31, 2009 and 2008 respectively, are as follows:

	2009	2008
Options	6,200,000	5,200,000
Warrants	22,500,836	21,425,795
Convertible Preferred Stock		2,500
Total	28,700,836	26,628,295

The foregoing common stock equivalents were excluded from the calculation of diluted net loss per common share because their inclusion would have been anti-dilutive as of December 31, 2009 and 2008.

Derivative Financial Instruments

The Company accounts for financial instruments that are indexed to and potentially settled in, its own stock in accordance with the provisions of Emerging Issues Task Force (“EITF”) No. 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company’s Own Stock”. These financial instruments include freestanding warrants and options to purchase the Company’s common stock. Under certain circumstances that would require the Company to settle these equity items in cash, and without regard to probability, EITF No. 00-19 would require the classification of all or part of the item as a liability and the adjustment of that reclassified amount to fair value at each reporting date, with such adjustments reflected in the Company’s consolidated statements of operations.

Revenue Recognition

The Company recognizes revenues in accordance with the guidance in the Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin No. 104. Accordingly, revenue is recognized when persuasive evidence of an arrangement exists, when the selling price is fixed or determinable, when shipment or delivery or performance of services has been rendered and collectability is reasonably assured.

Under the Company’s current strategy, its revenue is likely to be generated from the development, licensing or sale of our proprietary Technology and/or design, manufacture and sale of machinery and equipment units. For machinery and equipment sales revenue will be recognized when the machinery and equipment is shipped, installed and operating successfully at the destination site. For a licensing agreement, revenue is recognized when services have been rendered per the terms of the licensing agreement.

For the year ended December 31, 2009 all of the Company’s revenues were generated from a licensing agreement.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements and their effect on the Company, see “Recent Accounting Pronouncements” in Note 2 to the consolidated financial statements.

Contractual Obligations

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

Item 8. Financial Statements and Supplementary Data.

Audited financial statements begin on the following page of this report.

GLOBAL RESOURCE CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Global Resource Corporation and Subsidiaries
Morrisville, North Carolina

We have audited the accompanying consolidated balance sheet of Global Resource Corporation and Subsidiaries (collectively, the "Company") (a development-stage company), as of December 31, 2009, and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the year then ended, and for the period from inception, July 19, 2002, through December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The Company's consolidated statement of operations and comprehensive loss, stockholders' equity (deficit) and cash flows for the period from inception, July 19, 2002, through December 31, 2008, were audited by other auditors whose report dated June 15, 2009, includes an explanatory paragraph regarding substantial doubt about the Company's ability to continue as a going concern. Our opinion on the consolidated statements of operations, stockholders' equity and cash flows, insofar as it relates to the amounts included for the period from July 19, 2002 through December 31, 2008, is based solely on the report of other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Global Resource Corporation and Subsidiaries as of December 31, 2009, and the results of their operations and their cash flows for the year then ended, and from the period from inception, July 19, 2002, through December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company is a development stage company, which presently generates minimal operating revenues, has suffered recurring losses, has a significant deficit accumulated during its development stage, and requires substantial additional funds to complete development of its products and continue operations. These factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

CHERRY, BEKAERT & HOLLAND, L.L.P.

/s/ Cherry, Bekaert & Holland, L.L.P.

Raleigh, North Carolina
December 27, 2010

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Report of Independent Registered Public Accounting Firm

To the Audit Committee of
Global Resource Corporation

We have audited the accompanying consolidated balance sheet of Global Resource Corporation (a development stage company) (the "Company") as of December 31, 2008 and the related consolidated statements of operations and comprehensive loss, stockholders' equity (deficit), and cash flows for the year ended December 31, 2008, and for the period from July 19, 2002 (inception) to December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2008, and the results of their consolidated operations and cash flows for the year ended December 31, 2008 and the period from July 19, 2002 (inception) to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has sustained net losses for the year ended December 31, 2008, and for the period from July 19, 2002 (inception) to December 31, 2008 and currently does not have any significant revenue to fund future operations, which raises substantial doubt about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Rothstein, Kass & Company, P.C.

/s/ Rothstein, Kass & Company, P.C.

Roseland, New Jersey
June 15, 2009

Global Resource Corporation
(A Development Stage Company)
Consolidated Balance Sheets
December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 40,620	\$ 2,013,730
Short-term investments	-	2,557,274
Prepaid services	577,250	1,508,875
Total current assets	617,870	6,079,879
Property and equipment, net of depreciation	1,430,201	1,358,299
OTHER ASSETS		
Deposits	124,330	123,726
Patents	79,203	
Prepaid patent costs	559,855	383,685
Total other assets	763,388	507,411
TOTAL ASSETS	\$ 2,811,459	\$ 7,945,589
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,094,844	\$ 889,489
Deferred revenue	120,000	-
Loans payable - equipment	17,738	34,850
Capital lease obligation - equipment	12,250	9,543
Royalty Advance	750,000	
Severance payable	200,000	200,000
Total current liabilities	2,194,832	1,133,882
LONG-TERM LIABILITIES		
Loans payable - equipment, net of current portion		16,821
Capital lease obligation - equipment, net of current portion	5,252	15,742
Severance payable, net of current portion	1,435,485	1,000,000
Derivative financial instruments	-	1,591,834
Total long-term liabilities	1,440,737	2,624,397
Total liabilities	3,635,569	3,758,279
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
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Preferred stock A - \$.001 par value 100,000,000 shares authorized, none issued and outstanding at December 31, 2009, 5,000 issued and outstanding at December 31, 2008		
Common stock, \$.001 par value; 200,000,000 shares authorized, 74,100,664 shares issued and 67,405,703 outstanding at December 31, 2009, 69,549,164 shares issued and 62,854,203 outstanding at December 31, 2008	74,100	69,549
Additional paid-in capital	42,880,641	35,842,053
Accumulated other comprehensive loss	-	(237,550)
Deficit accumulated in the development stage	(42,062,378)	(29,770,274)
	892,363	5,903,783
Treasury Stock	(1,716,473)	(1,716,473)
Total stockholders' equity	(824,110)	4,187,310
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,811,459	\$ 7,945,589

See accompanying notes to the consolidated financial statements.

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Global Resource Corporation
(A Development Stage Company)
Consolidated Statements of Operations and Comprehensive Loss

	For the Years Ended		July 19, 2002 (Inception) to December 31, 2009
	December 31 2009	December 31 2008	
REVENUES	\$ 180,000	\$ -	\$ 180,000
COST OF REVENUES	-	-	-
GROSS PROFIT	180,000	-	180,000
OPERATING EXPENSES			
General and administrative expenses	12,539,216	23,260,658	52,561,587
Research and development expenses	1,607,395	871,622	2,888,434
Total operating expenses	14,146,611	24,132,280	55,450,021
OPERATING LOSS	(13,966,611)	(24,132,280)	(55,270,021)
OTHER INCOME (EXPENSE)			
Loss on deposit and other		(7,181)	(179,893)
Net realized loss on short-term investments	(20,027)	(881,768)	(901,795)
Change in fair value of derivative financial instruments	1,591,834	9,358,836	13,951,679
Interest expense	(13,806)	(17,981)	(70,278)
Interest income	116,506	185,025	407,930
Total other income (expense)	1,674,507	8,636,931	13,207,643
NET LOSS	\$ (12,292,104)	\$ (15,495,349)	\$ (42,062,378)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on short-term investments		(1,075,400)	(1,075,400)
Realized loss on short-term investments, net of taxes, reclassified from accumulated other comprehensive loss		837,850	837,850
COMPREHENSIVE LOSS	\$ (12,292,104)	\$ (15,732,899)	\$ (42,299,928)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.19)	\$ (0.33)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	63,819,499	47,215,783	

See accompanying notes to the consolidated financial statements.

Global Resource Corporation
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock	(Restated) Additional Paid-In Capital	Deficit Accumulated during the Development Stage	(Restated) Deferred Compensation Receivable	Subscription Receivable	Accumulated Other Comprehensive Loss	(Restated) Total
	Par Value	Par Value	Par Value	Paid-In	during the Development Stage	Deferred Compensation Receivable	Subscription Receivable	Other Comprehensive Loss	Total
	\$	\$	Shares	\$					
Balance at July 19, 2002 (Inception)	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of initial founders' shares, September 9, 2002 net of subsequent cancellations			2,555,000						-
Common stock shares issued for cash :									
Common stock issued for cash in November 2002, at \$.50 per share plus 29,000 warrants			29,000	14,500					14,500
Common stock shares issued for services rendered:									
Common stock issued for services rendered, on September 10, 2002, at \$0.472 per share			1,000,000	472,000					472,000
Common stock issued for			13,600	6,800					6,800

services rendered, in November and December, 2002, at \$0.50 per share, plus 13,600 warrants

Net loss for the period July 19, 2002 (Inception) through December 31, 2002 (Restated, see Note 19)

(508,508) (508,508)

Balance at December 31, 2002 (Restated, see Note 19)

- - - - 3,597,600 - 493,300 (508,508) - - - - (15,208)

Re-issuance of initial founders' shares, July 2003

1,455,000 -

Common stock shares issued for cash :

Common stock issued for cash from January 2003 to December 2003, at \$.50 per share plus 519,800 warrants

519,800 259,900 259,900

Stock subscriptions receivable, net

(14,340) (14,340)

Net loss for the year ended December 31, 2003, (Restated, see Note 19)

(203,659) (203,659)

Balance at December 31, 2003 (Restated,

- - - - 5,572,400 - 753,200 (712,167) - (14,340) - - 26,693

see Note 19)

Common stock
shares issued for
cash :

Common stock
issued for cash
from January
2004 to
December 2004,
at \$.50 per share
plus 917,645
warrants

917,645	553,105	553,105
---------	---------	---------

Common Stock
Shares issued for
services
rendered:

Common stock
issued for
services
rendered on
October 12,
2004, at \$1.00
per share

545,000	545,000	(545,000)	-
---------	---------	-----------	---

Other:

Common stock
issued in
exchange for
real estate on
August 25, 2004
at \$1.00 per
share plus
500,000
warrants

500,000	500,000	500,000
---------	---------	---------

Common stock
issued in
exchange for
real estate on
September 7,
2004 at \$1.00
per share plus
150,000
warrants

150,000	150,000	150,000
---------	---------	---------

Common stock
issued as
charitable

50,000	50,000	50,000
--------	--------	--------

contribution on October 12, 2004, at \$1.00 per share													
Initial founders' shares cancelled on October 28, 2004				(250,000)									-
Stock subscriptions receivable, net									(74,240)				(74,240)
Net loss for the year ended December 31, 2004										(672,219)			(672,219)
Balance at December 31, 2004	-	-	-	-	7,485,045	-	2,551,305	(1,384,386)	(545,000)	(88,580)	-	-	533,339

See accompanying notes to the consolidated financial statements.

Global Resource Corporation
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock	Additional Paid-In Capital	Accumulated Deficit	Deferred Compensation	Subscription Receivable	Comprehensive Income	Other	Total
	Par Value	Par Value	Par Value							
	\$	\$	\$							
	Shares	Shares	Shares	Amount	Capital	Stage	Receivable	Stock	Loss	Total
Common stock shares issued for cash :										
Common stock issued for cash from January 2005 to December 2005 at \$1.00 per share plus 163,980 warrants			165,980		181,980					181,980
Common stock issued for cash from September 2005 to December 2005 at \$2.00 per share plus 270,470 warrants			270,470		443,930					443,930
Common stock issued for cash on December 30 and 31, 2005, at \$1.02 per share plus 126,705 warrants			126,705		163,362					163,362
Common stock issued for cash on December 30, 2005, at \$.99 per share plus 8,000			2,000		1,985					1,985

warrants			
Common stock issued for cash on December 30, 2005, at \$.73 per share plus 66,000 warrants	16,500	12,033	12,033
Common stock issued for cash on December 30, 2005, at \$.70 per share plus 472,000 warrants	118,000	82,808	82,808
Common stock issued for cash on December 30, 2005, at \$.65 per share plus 105,200 warrants	26,300	17,050	17,050
Common stock issued for cash on December 30, 2005, at \$.64 per share plus 60,800 warrants	15,200	9,750	9,750
Common stock issued for cash on December 30, 2005, at \$.36 per share plus 18,000 warrants	4,500	1,610	1,610
Common Stock Shares issued for services rendered:			-
Common stock issued for services rendered from March 2005 to December 2005, at \$1.00 per share, plus	53,500	53,500	53,500

53,000 warrants			
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Other:

Common stock issued in exchange for real estate on January 18, 2005 at \$1.00 per share plus 80,800 warrants	80,800	80,800	80,800
--	--------	--------	--------

Common stock issued to Careful Sell Holdings, LLC to acquire technology with zero value on February 23, 2005	7,500,000		-
--	-----------	--	---

Common stock issued to Careful Sell Holdings, LLC to acquire technology with zero value on March 29, 2005	30,000,000		-
---	------------	--	---

Common stock issued for payment of debts on March 11, 2005, at \$1.00 per share plus 1,087 warrants	1,087	1,087	1,087
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Stock subscriptions receiveable, net			10,398
			10,398

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Amortization of deferred compensation							109,000					109,000	
Net loss for the year ended December 31, 2005							(1,291,169)					(1,291,169)	
Balance at December 31, 2005	-	-	-	-	45,866,087	-	3,601,200	(2,675,555)	(436,000)	(78,182)	-	-	411,463
Common stock shares issued for cash :													
Common stock issued for cash on February 9, 2006, at \$.31 per share plus 52,000 warrants					26,000		8,125						8,125
Common stock issued for cash on March 17, 2006, at \$.36 per share plus 308,000 warrants					154,000		55,175						55,175
Common stock issued for cash on May 20, 2006, at \$.49 per share plus 10,000 warrants					6,436		3,148						3,148
Common stock issued for cash on June 12, 2006, at \$.50 per share plus 50,000 warrants					25,000		12,485						12,485
Common stock issued for cash on September 14, 2006, at \$.35 per share plus 863,200 warrants					431,600		288,207						288,207

Common stock issued for cash from February 1, 2006 to September 15, 2006 at \$1.00 per share plus 1,337,450 warrants	1,309,650	1,318,010	1,318,010
Common stock issued for cash in February 2006 and July 2006, at \$1.02 per share plus 922,000 warrants	486,000	495,614	495,614
Common stock issued for cash on January 9, 2006, at \$1.18 per share plus 61,000 warrants	61,000	72,000	72,000
Common stock issued for cash from January 2006 to September 15, 2006 at \$2.00 per share plus 391,100 warrants	286,600	558,112	558,112
Common Stock Shares issued for services rendered:			
Common stock issued for services rendered, on September 22, 2006, at \$1.04 per share plus 14,123 warrants	14,123	14,746	14,746

Common stock issued for services rendered to old GRC (shell)'s officer, on September 23, 2006, at \$2.00 per share	25,000	25	49,975	50,000
Other:				
Common stock issued in exchange for investment in real estate on September 18, 2006, at \$2.00 per share, plus 22,500 warrants	22,500		45,000	45,000
Common stock issued for conversion of old GRC (shell)'s debt on September 26, 2006, at approximately \$0.05 per share	2,681,837	2,682	118,000	120,682
Stock subscriptions receivable, net			(582,511)	(582,511)

See accompanying notes to the consolidated financial statements.

Global Resource Corporation
 (A Development Stage Company)
 Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock		Common Stock	Additional	Deficit	Accumulated	Other	Accumulated	Restated
	Stock A	Stock B	Common	Paid-In	during the	Deferred	Subscription	Comprehensive	Total
	Par Value	Par Value	Par Value	Capital	Development	Compensation	Receivable	Income	
	Shares	Shares	Shares	Amount	Stage	Receivable	Stock	Loss	
Issuance of common stock in connection with adoption of AS (R)				(436,000)		436,000			
Conversion of preferred stock				109,000					109,000
Effect of the merger on December 22, 2011			72,241	48,761	(169,444)				(120,442)
Conversion of common and preferred stock issued for merger with Weststream Inc. on December 31, 2011 at \$0.26 per share plus 5,867 cents	35,236,188	35,236	11,145,255	11,145	3,310,274	(10,498)			3,346,000
Conversion of common shares for merger with Weststream, Inc. on December 28, 2011			(37,500,000)	(37,500)	37,500				

Common Stock issued services red: Common stock held for employees red, on March 19, 2007 at \$1.00 per share	9,700	10	9,690	9
Common stock held for employees red, on March 19 and April 9, 2007, at \$1.00 per share	31,000	31	20,969	21
Common stock held to employee for employees red, on March 20, 2007, at \$0.38 per share	250,000	250	344,750	345
Common stock held for employees red, on March 30, 2007, at \$0.05 per share	3,417	3	3,301	3
Common stock held to employee for employees red, on March 1, 2007, at \$1.00 per share	194,500	195	264,325	264
Common stock held for employees red, on March 8, 2007, at \$0.80 per share	37,500	37	29,963	30
Common stock held to employee for	100,000	100	442,900	443

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per share	250,000	250	1,124,750	1,125
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per share	3,745	3	8,497	8
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per share	30,041	30	20,698	20
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per share	361,000	361	1,230,649	1,231
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per share	150,000	150	343,350	343
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per share	300,000	300	779,700	780
	350,000	350	864,150	864

Common stock issued for services to be performed, valued October 02, at \$2.47 share				
Common stock issued for services to be performed, valued October 02, at \$2.40 share	75,000	75	179,926	180,000
Common stock issued for services performed, on October 9, at \$2.69 share	47,579	47	127,703	127,703
Common stock issued to employee for services performed, on October 22, at \$1.86 share	50,000	50	92,950	93,000
Common stock issued for services performed, on October 29, at \$2.25 share	150,000	150	337,350	337,350
Common stock issued for services performed, on November 9, at \$3.23 share	130,000	130	419,770	419,770
Common stock issued for services performed, on November 2007, at	50,000	50	174,950	175,000

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per share	30,000	30	90,270	90
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per share	45,094	45	89,955	90

See accompanying notes to the consolidated financial statements.

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Global Resource Corporation
(A Development Stage Company)
Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock A	Preferred Stock B	Common Stock	(Restated) Additional	Deficit (Restated) Accumulated	Stock	Accumulated
Preferred Par Value \$.00	Preferred Par Value \$.00	Common Par Value \$.00	Paid-In	during the	Subscription	Treasury	Comprehensive
Shares	\$ Amount	Shares	\$ Amount	Capital	Development	Costs	Stock
							Loss
in stock for services rendered, on December 4, 2007, per share			50,000	50	157,450		
in stock for services rendered, on December 7, at \$2.50 per share			200,000	200	499,800		
in stock for services rendered, on December 7, at \$1.446 per share			400,000	400	578,052		
in stock for services rendered, on December 7, at \$2.50 per share			100,000	100	249,900		
in stock for services rendered, on December 7, at \$3.02 per share			50,000	50	150,950		
in stock for services rendered, on December 7, at \$3.00 per share			40,000	40	119,960		
in stock for services rendered, on December 7, at \$3.10 per share			50,000	50	154,950		

and Stock B issued for ent of			1,000	1			399,999						4
er stock, ed from fficer on 2007, at share					(94,961)					(66,473)			0
scriptions ble, net										475,000			4
ation of ation							109,000						1
ification of ve liability ditional paid l due to ion of							2,187,850						2,1
for the year ecember 31, e stated, see)										(6,578,331)			(6,5
at er 31, 2007 d, see Note	35,236,188	35,236	1,000	1	30,263,330	30,358	6,328,170	(14,274,925)	-	(185,693)	(66,473)	-	(8,1
n stock sued for													
n stock or cash on y 19, 2008, per share					17,000	17	33,983						
n stock or cash on , 2008, at r share					31,057	31	49,969						
n stock or cash from 8, 2008					8,808,987	8,809	8,799,779						8,8

per 15, 2008 per share, 81,768				
in stock or cash on 6, 2008, at r share	9,000	9	10,611	
in stock or cash on , 2008, at r share,				
5 warrants	1,929,775	1,930	2,148,662	2,148,662
in stock or cash on , 2008, at r share, 37,139	1,487,139	1,487	1,771,366	1,771,366
in stock or cash on 2008, at r share plus warrants	39,100	39	42,891	
in stock or cash on 21, 2008, at share	10,000	10	8,740	
in stock or cash on er 4, 2008, per share	13,867	14	14,384	
in stock n December , at \$0 per	850,000	850	1,089	
in stock sued for rendered:				
in stock or services , on y 1, 2008, at r share	100,000	100	294,900	294,900
in stock or services , on y 6, 2008, at	150,000	150	394,350	394,350

per share in stock for services , on / 13, 2008, per share	12,500	13	29,862	
in stock for services , on / 15, 2008, per share	20,000	20	48,380	
in stock for services , on / 28, 2008, per share	25,000	25	53,725	
in stock for services , on / 29, 2008, per share	175,000	175	383,075	3
in stock for services , on March , at \$2.10 e	5,000	5	10,495	
in stock for services , on March and March at \$1.60 e	50,000	50	79,950	
in stock for services , on March and April at \$1.90 e	1,436,666	1,437	2,728,228	2,7
in stock for services , on April at \$1.95 per	70,000	70	136,430	1
in stock for penalty, 2, 2008, at r share	50,000	50	91,950	
in stock for services , on April 8, at \$3.05	150,000	150	457,350	4

n stock or services , on April 8, at \$3.07 e	883,333	883	2,710,950	2,7
n stock or services , on May at \$2.55 e	1,000,000	1,000	2,549,000	2,5
n stock or services , on May 8, at \$2.65 e	20,000	20	52,980	
n stock or services , on May 8, at \$2.79 e	50,000	50	139,450	1
n stock or services , on June at \$2.10 e	150,000	150	314,850	3
n stock or services , on June and June at \$2.25 e	213,750	214	480,724	4
n stock or penalty to , on June 8, at \$2.09 e	650,000	650	1,357,850	1,3
n stock or services , on July 8, at \$1.66 e	200,000	200	331,800	3
n stock or services , on July 8, at \$1.40 e	75,000	75	104,925	1

See accompanying notes to the consolidated financial statements.

Global Resource Corporation
 (A Development Stage Company)
 Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred Stock A	Preferred Stock B	Common Stock	(Restated) Additional Paid-In Capital	(Restated) Accumulated Deficit	Accumulated Other Comprehensive Income	(Restated) Total
	Par Value \$.001 Shares \$ Amount	Par Value \$.001 Shares \$ Amount	Par Value \$.001 Shares \$ Amount	Par Value \$.001 Shares \$ Amount	Par Value \$.001 Shares \$ Amount	Par Value \$.001 Shares \$ Amount	Par Value \$.001 Shares \$ Amount
Common stock issued for services rendered, on August 8, 2008, at \$1.03 per share			75,000	75	77,175		77,250
Common stock issued for services rendered, on August 25, 2008, at \$1.25 per share			6,000	6	7,494		7,500
Common stock issued for services rendered, on September 8, 2008, at \$.96 per share			1,500,000	1,500	1,438,500		1,440,000
Common stock issued for services rendered, on October 7, 2008, at \$1.49 per share			100,000	100	148,900		149,000
Common stock issued for services rendered, on October 15, 2008, at \$1.25 per share			60,000	60	74,940		75,000
Common stock issued for services rendered, on October 20, 2008, at \$1.50 per share			125,000	125	187,375		187,500

per share				
Common stock issued for services rendered, on October 24, 2008, at \$1.37 per share	100,000	100	136,900	137,000
Common stock issued for services rendered, on October 31, 2008, at \$1.55 per share, plus 300,000 warrants	150,000	150	232,350	232,500
Common stock issued for services rendered, on December 16, 2008, at \$1.35 per share	12,600	13	16,997	17,010
Common stock issued for services rendered, on December 18, 2008, at \$1.08 per share	100,000	100	107,900	108,000
Common stock issued to employees for services rendered, on June 26, 2008, at \$2.08 per share	7,500	8	16,632	16,640
Common stock warrants and option activity:				
Common Stock Warrants issued for services (BOD) on February 7,			21,870	21,870

2008, at \$2.43 per share (6,000 warrants)		
Common Stock Warrants issued for services (BOD) on May 21, 2008, at \$2.47 per share (9,000 warrants)	14,795	14,795
Common Stock Warrants issued for services (BOD) on September 23, 2008, at \$2.25 per share (25,000 warrants)	50,000	50,000
Common Stock Warrants issued for services (BOD) on November 13, 2008, at \$1.35 per share (20,000 warrants)	24,600	24,600
Common Stock Warrants issued for services to non-employee on September 3, 2008, at \$2.75 per share (76,500 warrants)	78,030	78,030
Common Stock Warrants issued for	102,285	102,285

services to
non-employee
on October 1,
2008, at \$1.36
per share
(300,000
warrants)

Common
Stock
Warrants
exercised
cashless by
Nutmeg/Black
Diamond on
April 2, 2008,
at \$1.84 per
share

124,489 124 (124) -

Common
Stock
Warrants
exercised
cashless by
POOF on July
3, 2008, at
\$1.42 per share

325,957 326 (326) -

Common
Stock Options
issued to
employee
on October 1,
2008, at fair
value of \$1.04
per share

1,040,000 1,040,000

Other:

Preferred stock
B - converted
to common
stock on April
8, 2008

(1,000) (1) 206,559 207 (206) -

Preferred stock
A - converted
by former
officer into
common stock
on June 25,
2008

(1,791,064) (1,791) 895,532 895 896 -
(33,440,124) (33,440) 16,720,062 16,720 16,720 -

Preferred stock
A - converted
by former
officer into
common stock
on August 13,
2008

Treasury stock,
purchased
from former
officer on
August 13,
2008, for \$.25
per share

(6,600,000)

(1,650,000)

(1,650,000)