

Global Resource CORP  
Form 10-Q  
April 06, 2011

FORM 10-Q  
U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

TRANSITION REPORT PURSUANT TO 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 Number)

9400 Globe Center Drive, Suite 101, Morrisville, NC 27560  
(Address of principal executive offices)

(856) 767-5665  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 o No

Indicate by check mark 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 o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer 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)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING  
THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No .

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 88,662,002 shares of common stock, par value \$.001 per share, and 6,229,997 preferred shares, par value \$.001, outstanding as of March 31, 2011.

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GLOBAL RESOURCE CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions for Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, the financial statements contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations, and cash flows of the Company for the interim periods presented.

The results for the period ended June 30, 2010 are not necessarily indicative of the results of operations for the full year. These financial statements and related footnotes should be read in conjunction with the financial statements and footnotes thereto included in the Company's Form 10-K filed with the Securities and Exchange Commission for the period ended December 31, 2009.

Global Resource Corporation  
(A Development Stage Company)  
Consolidated Balance Sheets

	(unaudited) June 30, 2010	December 31, 2009
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 55,850	\$ 40,620
Prepaid services	749,125	577,250
<b>Total current assets</b>	<b>804,975</b>	<b>617,870</b>
Property and equipment, net of depreciation	1,145,108	1,430,201
<b>OTHER ASSETS</b>		
Deposits	93,174	124,330
Patents	76,873	79,203
Prepaid patent costs	637,712	559,855
<b>Total other assets</b>	<b>807,759</b>	<b>763,388</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,757,842</b>	<b>\$ 2,811,459</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,414,164	\$ 1,094,844
Deferred revenue	241,667	120,000
Loans payable - equipment	5,054	17,738
Convertible promissory notes	1,124,448	-
Capital lease obligation - equipment	11,006	12,250
Royalty Advance	750,000	750,000
Severance payable	200,000	200,000
<b>Total current liabilities</b>	<b>3,746,339</b>	<b>2,194,832</b>
<b>LONG-TERM LIABILITIES</b>		
Capital lease obligation - equipment, net of current portion	-	5,252
Severance payable, net of current portion	741,742	1,435,485
Derivative financial instruments	31,052	-
<b>Total long-term liabilities</b>	<b>772,794</b>	<b>1,440,737</b>
<b>Total liabilities</b>	<b>4,519,133</b>	<b>3,635,569</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		

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Preferred stock A - \$.001 par value 100,000,000 shares authorized, none issued and outstanding at June 30, 2010, none were issued and outstanding at December 31, 2009	-	-
Common stock, \$.001 par value; 200,000,000 shares authorized, 81,358,654 shares issued and 74,663,693 outstanding at June 30, 2010, 74,100,664 shares issued and 67,405,703 outstanding at December 31, 2009	81,359	74,100
Additional paid-in capital	47,045,757	42,880,641
Deficit accumulated in the development stage	(47,171,934 )	(42,062,378 )
	(44,818 )	892,363
Treasury Stock at cost	(1,716,473 )	(1,716,473 )
Total stockholders' equity (deficit)	(1,761,291 )	(824,110 )
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,757,842	\$ 2,811,459

See accompanying notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended		July 19, 2002 (Inception) to
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010
REVENUES	\$88,333	\$ -	\$178,333	\$ -	\$ 358,333
COST OF REVENUES	\$-	\$ -	\$-	\$ -	\$ -
GROSS PROFIT	88,333	-	178,333	-	358,333
<b>OPERATING EXPENSES</b>					
General and administrative expenses	\$1,349,669	\$ 3,093,423	\$4,419,296	\$ 5,236,282	\$ 56,980,883
Research and development expenses	\$298,993	\$ 395,087	\$749,223	\$ 680,359	\$ 3,637,657
Total operating expenses	1,648,662	3,488,510	5,168,519	5,916,641	60,618,540
OPERATING LOSS	(1,560,329 )	(3,488,510 )	(4,990,186 )	(5,916,641 )	(60,260,207 )
<b>OTHER INCOME (EXPENSE)</b>					
Loss on deposit and other	\$-	\$ -	\$-	\$ -	\$ (179,893 )
Net realized loss on short-term investments	\$-	\$ -	\$-	\$ (17,438 )	\$ (901,795 )
Change in fair value of derivative financial instruments	\$(26,212 )	\$ (948,619 )	\$(101,529 )	\$ (252,765 )	\$ 13,850,150
Interest expense	\$(18,366 )	\$ (4,465 )	\$(18,149 )	\$ (7,609 )	\$ (88,427 )
Interest income	\$-	\$ 58,490	\$308	\$ 113,987	\$ 408,238
Total other income (expense)	(44,578 )	(894,594 )	(119,370 )	(163,825 )	13,088,273
NET LOSS	\$(1,604,907 )	\$ (4,383,104 )	\$(5,109,556 )	\$ (6,080,466 )	\$ (47,171,934 )
<b>OTHER COMPREHENSIVE LOSS</b>					
Unrealized gain (loss) on short-term investments	\$-	\$ 550,441	\$-	\$ 237,550	\$ —
Realized loss on short-term investments, net of taxes, reclassified from accumulated other comprehensive loss	\$-	\$ -	\$-	\$ -	\$ —

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COMPREHENSIVE LOSS	\$ (1,604,907 )	\$ (3,832,663 )	\$ (5,109,556 )	\$ (5,842,916 )	\$ (47,171,934 )
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.02 )	\$ (0.07 )	\$ (0.07 )	\$ (0.10 )	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	74,622,910	63,367,077	71,615,721	63,144,988	

See accompanying notes to consolidated financial statements.



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

	Preferred Stock A	Preferred Stock B	Common Stock	Additional	Deficit		
	Par Value	Par Value	Par Value	Paid-In	Accumulated		
Preferred	\$.001	Preferred\$.001	Common	\$.001	during the	Deferred	
Shares	\$	\$	Shares	\$	Development	Compensatio	
	Amount	SharesAmount	Shares	Amount	Stage		
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		
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		
Common stock issued for services			13,600		6,800		

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 )

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

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

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

Stock  
subscriptions  
receivable, net

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

(203,659 )

- - - - 5,572,400 - 753,200 (712,167 ) -

Balance at  
December 31,  
2003 (Restated,  
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

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

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

Common stock issued as charitable contribution on October 12, 2004, at \$1.00 per share					50,000		50,000		
Initial founders' shares cancelled on October 28, 2004					(250,000	)			
Stock subscriptions receivable, net									
Net loss for the year ended December 31, 2004							(672,219	)	
Balance at December 31, 2004	-	-	-	-	7,485,045	-	2,551,305	(1,384,386	) (545,000
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		
Common stock issued for cash from September 2005 to December 2005 at \$2.00 per share plus 270,470 warrants					270,470		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
Common stock issued for cash on December 30, 2005, at \$.99 per share plus 8,000 warrants	2,000	1,985
Common stock issued for cash on December 30, 2005, at \$.73 per share plus 66,000 warrants	16,500	12,033
Common stock issued for cash on December 30, 2005, at \$.70 per share plus 472,000 warrants	118,000	82,808
Common stock issued for cash on December 30, 2005, at \$.65 per share plus 105,200 warrants	26,300	17,050
Common stock issued for cash on December 30, 2005, at \$.64 per share plus 60,800 warrants	15,200	9,750
Common stock issued for cash on December 30, 2005, at \$.36 per share plus 18,000 warrants	4,500	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  
53,000 warrants

53,500

53,500

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

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

1,087

1,087

\$1.00 per share  
plus 1,087  
warrants

Stock  
subscriptions  
receivable, net

Amortization of  
deferred  
compensation

109,000

Net loss for the  
year ended  
December 31,  
2005

(1,291,169 )

Balance at  
December 31,  
2005

- - - - 45,866,087 - 3,601,200 (2,675,555 ) (436,000)

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

Common stock  
issued for cash  
on March 17,  
2006, at \$.36  
per share plus  
308,000  
warrants

154,000

55,175

Common stock  
issued for cash  
on May 20,  
2006, at \$.49  
per share plus  
10,000 warrants

6,436

3,148

Common stock  
issued for cash  
on June 12,  
2006, at \$.50  
per share plus  
50,000 warrants

25,000

12,485

Common stock  
issued for cash

431,600

288,207

on September  
14, 2006, at  
\$.35 per share  
plus 863,200  
warrants

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

Common stock  
issued for cash  
in February  
2006 and July  
2006, at \$1.02  
per share plus  
922,000  
warrants

486,000

495,614

Common stock  
issued for cash  
on January 9,  
2006, at \$1.18  
per share plus  
61,000 warrants

61,000

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

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



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
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
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
Stock subscriptions receivable, net			
Reclass deferred compensation due to adoption of SFAS 123(R)			(436,000 )
			436,000
Amortization of deferred compensation			109,000
Effect of reverse merger September 22, 2006	72,241	48,761	(169,444 )

Common and Preferred Stock A issued for merger with Mobilestream Oil, Inc. on December 31, 2006, at \$0.26 per share plus 27,205,867 warrants	35,236,188	35,236			11,145,255	11,145	3,310,274	(10,498	)
Cancellation of shares for merger with Mobilestream, Inc. on November 28, 2006					(37,500,000)	(37,500)	37,500		
Reclassification of derivative liability on warrants								(16,139,529)	
Net loss for the year ended December 31, 2006									(5,010,541 )
Balance at December 31, 2006	35,236,188	35,236	-	-	25,113,329	25,113	(6,648,402 )	(7,696,594 )	-
Common stock shares issued for cash :									
Common stock issued for cash from January 29, 2007 to February 21, 2007, at \$0.30 per share					17,500	18	5,232		
Common stock issued for cash from April 2, 2007 to June 25, 2007 at \$0.32 per share					499,564	500	157,709		

Common stock issued for cash on March 7, 2007, at \$1.08 per share (from stock to be issued liability)	186,822	187	201,156
Common stock issued for cash on October 25, 2007, at \$2.00 per share	2,500	2	4,998
Common stock issued for cash on December 20, 2007, at \$1.00 per share plus 625,000 warrants	1,000,000	1,000	999,000
Common Stock Shares issued for services rendered:			
Common stock issued for services rendered, on March 19, 2007 and July 9, 2007, at \$1.00 per share	9,700	10	9,690
Common stock issued for services rendered, on March 19 and 20, 2007, at \$0.50 per share	31,000	31	20,969
Common stock issued to employee for services rendered, on April 20, 2007, at \$1.38 per share	250,000	250	344,750
Common stock issued for services rendered, on	3,417	3	3,301

May 30, 2007,  
at \$1.05 per  
share

Common stock  
issued to  
employee for  
services  
rendered, on  
June 1, 2007, at  
\$1.36 per share

194,500      195      264,325

Common stock  
issued for  
services  
rendered, on  
July 18, 2007,  
at \$0.80 per  
share

37,500      37      29,963

Common stock  
issued to  
employee for  
services  
rendered, on  
August 1, 2007,  
at \$4.43 per  
share

100,000      100      442,900

Common stock  
issued to  
employee for  
services  
rendered, on  
August 19,  
2007, at \$4.50  
per share

250,000      250      1,124,750

Common stock  
issued for  
services  
rendered, on  
August 30,  
2007, at \$2.27  
per share

3,745      3      8,497

Common stock  
issued for  
services  
rendered, on  
August 30,  
2007, at \$0.69  
per share

30,041      30      20,698

Common stock  
issued for  
services  
rendered, on

361,000      361      1,230,649

August 31, 2007, at \$3.41 per share			
Common stock issued for services to be performed, service valued on September 14, 2007, at \$2.29 per share	150,000	150	343,350
Common stock issued to employee for services rendered, on October 1, 2007, at \$2.60 per share	300,000	300	779,700
Common stock issued for services to be performed, service valued on October 02, 2007, at \$2.47 per share	350,000	350	864,150
Common stock issued for services to be performed, service valued on October 02, 2007, at \$2.40 per share	75,000	75	179,926
Common stock issued for services rendered, on October 9, 2007, at \$2.69 per share	47,579	47	127,703
Common stock issued to employee for services rendered, on October 22, 2007, at \$1.86 per share	50,000	50	92,950
	150,000	150	337,350

Common stock issued for services rendered, on October 29, 2007, at \$2.25 per share			
Common stock issued for services rendered, on November 9, 2007, at \$3.23 per share	130,000	130	419,770
Common stock issued for services rendered, on November 19, 2007, at \$3.50 per share	50,000	50	174,950
Common stock issued for services rendered, on November 26, 2007, at \$3.01 per share	30,000	30	90,270
Common stock issued for services rendered, on December 3, 2007, at \$2.00 per share	45,094	45	89,955
Common stock issued for services rendered, on December 4, 2007, at \$3.15 per share	50,000	50	157,450
Common stock issued for services rendered, on December 11, 2007, at \$2.50 per share	200,000	200	499,800
Common stock issued for	400,000	400	578,052

services rendered, on December 17, 2007, at \$1.446 per share

Common stock issued for services rendered, on December 17, 2007, at \$2.50 per share

100,000      100      249,900

Common stock issued for services rendered, on December 18, 2007, at \$3.02 per share

50,000      50      150,950

Common stock issued for services rendered, on December 21, 2007, at \$3.00 per share

40,000      40      119,960

Common stock issued for services rendered, on December 27, 2007, at \$3.10 per share

50,000      50      154,950

Other:

Preferred Stock B Shares issued for settlement of services

1,000      1      399,999

Treasury stock, purchased from former officer on May 17, 2007, at \$.70 per share

(94,961      )

Stock subscriptions receiveable, net

Amortization of deferred compensation							109,000		
Reclassification of derivative liability into additional paid in capital due to cancellation of warrants							2,187,850		
Net loss for the year ended December 31, 2007 (Restated, see Note 20)									(6,578,331 )
Balance at December 31, 2007 (Restated, see Note 20)	35,236,188	35,236	1,000	1	30,263,330	30,358	6,328,170	(14,274,925)	-
Common stock shares issued for cash :									
Common stock issued for cash on February 19, 2008, at \$2.00 per share					17,000	17	33,983		
Common stock issued for cash on March 5, 2008, at \$1.61 per share					31,057	31	49,969		
Common stock issued for cash from March 18, 2008 to October 15, 2008 at \$1.00 per share, plus 6,081,768 warrants					8,808,987	8,809	8,799,779		
Common stock issued for cash on March 26, 2008, at \$1.18 per share					9,000	9	10,611		



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Common stock issued for cash on April 11, 2008, at \$1.11 per share, plus 1,929,775 warrants	1,929,775	1,930	2,148,662
Common stock issued for cash on April 25, 2008, at \$1.19 per share, plus 1,487,139 warrants	1,487,139	1,487	1,771,366
Common stock issued for cash on May 15, 2008, at \$1.10 per share plus 39,100 warrants	39,100	39	42,891
Common stock issued for cash on August 21, 2008, at \$.88 per share	10,000	10	8,740
Common stock issued for cash on September 4, 2008, at \$1.04 per share	13,867	14	14,384
Common stock issued on December 16, 2008, at \$0 per share	850,000	850	1,089
Common stock shares issued for services rendered:			
Common stock issued for services rendered, on February 1, 2008, at \$2.95 per share	100,000	100	294,900
Common stock issued for services	150,000	150	394,350

rendered, on February 6, 2008, at \$2.63 per share			
Common stock issued for services rendered, on February 13, 2008, at \$2.39 per share	12,500	13	29,862
Common stock issued for services rendered, on February 15, 2008, at \$2.42 per share	20,000	20	48,380
Common stock issued for services rendered, on February 28, 2008, at \$2.15 per share	25,000	25	53,725
Common stock issued for services rendered, on February 29, 2008, at \$2.19 per share	175,000	175	383,075
Common stock issued for services rendered, on March 14, 2008, at \$2.10 per share	5,000	5	10,495
Common stock issued for services rendered, on March 18, 2008 and March 19, 2008 at \$1.60 per share	50,000	50	79,950
Common stock issued for services rendered, on	1,436,666	1,437	2,728,228

March 31, 2008 and April 4, 2008 at \$1.90 per share			
Common stock issued for services rendered, on April 1, 2008, at \$1.95 per share	70,000	70	136,430
Common stock issued for penalty, on April 2, 2008, at \$1.84 per share	50,000	50	91,950
Common stock issued for services rendered, on April 14, 2008, at \$3.05 per share	150,000	150	457,350
Common stock issued for services rendered, on April 29, 2008, at \$3.07 per share	883,333	883	2,710,950
Common stock issued for services rendered, on May 7, 2008, at \$2.55 per share	1,000,000	1,000	2,549,000
Common stock issued for services rendered, on May 12, 2008, at \$2.65 per share	20,000	20	52,980
Common stock issued for services rendered, on May 13, 2008, at \$2.79 per share	50,000	50	139,450

Common stock issued for services rendered, on June 3, 2008, at \$2.10 per share	150,000	150	314,850
Common stock issued for services rendered, on June 11, 2008 and June 13, 2008 at \$2.25 per share	213,750	214	480,724
Common stock issued for penalty to "POOF", on June 30, 2008, at \$2.09 per share	650,000	650	1,357,850
Common stock issued for services rendered, on July 14, 2008, at \$1.66 per share	200,000	200	331,800
Common stock issued for services rendered, on July 25, 2008, at \$1.40 per share	75,000	75	104,925
Common stock issued for services rendered, on August 8, 2008, at \$1.03 per share	75,000	75	77,175
Common stock issued for services rendered, on August 25, 2008, at \$1.25 per share	6,000	6	7,494
Common stock issued for	1,500,000	1,500	1,438,500

services rendered, on September 8, 2008, at \$.96 per share			
Common stock issued for services rendered, on October 7, 2008, at \$1.49 per share	100,000	100	148,900
Common stock issued for services rendered, on October 15, 2008, at \$1.25 per share	60,000	60	74,940
Common stock issued for services rendered, on October 20, 2008, at \$1.50 per share	125,000	125	187,375
Common stock issued for services rendered, on October 24, 2008, at \$1.37 per share	100,000	100	136,900
Common stock issued for services rendered, on October 31, 2008, at \$1.55 per share, plus 300,000 warrants	150,000	150	232,350
Common stock issued for services rendered, on December 16, 2008, at \$1.35 per share	12,600	13	16,997
Common stock issued for	100,000	100	107,900

services rendered, on December 18, 2008, at \$1.08 per share

Common stock issued to employees for services rendered, on June 26, 2008, at \$2.08 per share

7,500                      8                      16,632

Common stock warrants and option activity:

Common Stock Warrants issued for services (BOD) on February 7, 2008, at \$2.43 per share (6,000 warrants)

21,870

Common Stock Warrants issued for services (BOD) on May 21, 2008, at \$2.47 per share (9,000 warrants)

14,795

Common Stock Warrants issued for services (BOD) on September 23, 2008, at \$2.25 per share (25,000 warrants)

50,000

Common Stock Warrants issued for services (BOD) on November 13, 2008, at \$1.35 per share

24,600

(20,000  
warrants)

Common Stock  
Warrants issued  
for services to  
non-employee  
on September  
3, 2008, at  
\$2.75 per share  
(76,500  
warrants)

78,030

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

102,285

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

Other:

Preferred stock  
B - converted  
to common

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

stock on April  
8, 2008

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

(1,791,064 )	(1,791 )	895,532	895	896
--------------	----------	---------	-----	-----

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

(33,440,124)	(33,440)	16,720,062	16,720	16,720
--------------	----------	------------	--------	--------

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

(6,600,000 )
--------------

Stock  
subscription  
receivable, net

(130,518 )
------------

Record other  
comprehensive  
loss - net  
unrealized gain  
/(loss) on  
short-term  
investments :

Other  
comprehensive  
loss - net  
unrealized loss  
recorded at  
June 30, 2008

Other  
comprehensive  
loss - net  
unrealized loss  
recorded at  
September 30,  
2008

Other  
comprehensive  
loss - net



unrealized loss recorded at December 31, 2008									
Reclassification of unrealized loss deemed to be other than temporary									
Amortization and write-off of deferred compensation							218,000		
Net loss for the year ended December 31, 2008									(15,495,349)
Balance at December 31, 2008	5,000	\$5	-	\$-	62,854,203	\$69,549	35,842,053		\$(29,770,274) \$-
Common stock shares issued for cash :									
Common stock issued for cash on December 15, 2009, at \$0.50 per share					250,000	250	125,581		
Common stock shares issued for services rendered:									
Common stock issued for services rendered, on January 8, 2009, at \$1.17 per share plus 150,000 warrants					60,000	60	70,140		
Common stock issued for services rendered, on February 24,					15,000	15	19,485		

2009, at \$1.30 per share			
Common stock issued for services rendered, on March 20, 2009, at \$1.25 per share plus 60,041 warrants	19,000	19	23,731
Common stock issued for services rendered, on April 22, 2009, at \$1.13 per share	225,000	225	254,025
Common stock issued for services rendered, on March 24, 2009, at \$1.37 per share	105,000	105	143,745
Common stock issued for services rendered, on May 12, 2009, at \$1.64 per share	300,000	300	491,700
Common stock issued for services rendered, on September 10, 2009, at \$0.90 per share	125,000	125	112,375
Common stock issued for services rendered, on October 10, 2009, at \$1.08 per share	600,000	600	647,400
Common stock issued for services rendered, on October 10, 2009, at \$1.08	450,000	450	485,550

per share			
Common stock issued for services rendered, on November 20, 2009, at \$0.91 per share	250,000	250	227,250
Common stock issued for services rendered, on November 23, 2009, at \$0.87 per share	250,000	250	217,250
Common stock issued for services rendered, on November 30, 2009, at \$0.80 per share	300,000	300	239,700
Common stock issued for services rendered, on December 17, 2009, at \$0.62 per share	400,000	400	231,600
Common stock issued for services rendered, on December 15, 2009, at \$0.58 per share	200,000	200	115,800
Common stock issued for services rendered, on December 15, 2009, at \$0.58 per share	200,000	200	115,800
Common stock issued for services rendered, on December 16, 2009, at \$0.58 per share	200,000	200	137,663
	500,000	500	309,500

Common stock  
issued for  
services  
rendered, on  
December 17,  
2009, at \$0.62  
per share

Common stock  
issued for  
services  
rendered, on  
December 21,  
2009, at \$0.59  
per share

100,000      100      58,900

Common stock  
warrants and  
option activity:

Common Stock  
Warrants issued  
for services to  
non-employees  
on January 2,  
2009, at \$1.50  
per share

103,147

Common Stock  
Warrants issued  
for services to  
non-employees  
on February 18,  
2009, at \$2.50  
per share

31,666

Common Stock  
Warrants issued  
for services to  
non-employees  
on March 2,  
2009, at \$1.02  
per share

54,618

Common Stock  
Warrants issued  
for services  
(BOD) on  
March 27,  
2009, at \$1.04  
per share  
(30,000  
warrants)

27,119

Common Stock  
Warrants issued

24,519

for services (BOD) on August 5, 2009, at \$1.10 per share (25,000 warrants)	
Common Stock Warrants amortization expense for warrants issued for services to non-employees on October 31, 2008, at \$1.58 per share	306,855
Record Common Stock Options expense for options issued to former employee on October 5, 2009, at fair value of \$1.18 per share	1,986,236
Common Stock Warrants issued for services to non-employees on April 1, 2009, at \$1.50 per share	98,661
Common Stock Warrants issued for services to non-employees on April 1, 2009, at \$1.01 per share	140,880
Common Stock Warrants issued for services to non-employees on November 11, 2009, at \$0.58 per share	54,653
Common Stock Warrants issued for services to	17,584

non-employees on November 23, 2009, at \$0.58 per share									
Common stock Warrants issued for services to former employee on December 15, 2009 at \$0.58 per share									93,836
Common stock Warrants issued for services to former employee on December 15, 2009 at \$0.58 per share									71,616
Other:									
Preferred stock A - converted to common stock on January 6, 2009	(5,000	)	(5	)	2,500	2	3		
Record other comprehensive loss - unrealized loss recorded at July 31, 2009									
Net loss for the year ended December 31, 2009									(12,292,104)
Balance at December 31, 2009	-	\$-	-	\$-	67,405,703	\$74,100	42,880,641		\$(42,062,378) \$-
Common stock shares issued for cash :									
Common stock issued for cash					97,950	98	39,090		

on January 14, 2010, at \$0.40 per share			
Common stock issued for cash on January 25, 2010, at \$0.65 per share	153,847	154	99,846
Common stock issued for cash on January 28, 2010, at \$0.40 per share	175,000	175	69,729
Common stock issued for cash on February 5, 2010, at \$0.33 per share	300,000	300	99,661
Common stock issued for cash on February 9, 2010, at \$0.40 per share	100,000	100	39,900
Common stock issued for cash on February 23, 2010, at \$0.40 per share	32,500	32	12,968
Common stock issued for cash on February 23, 2010, at \$0.30 per share	156,000	156	46,644
Common stock issued for cash on February 26, 2010, at \$0.30 per share	50,000	50	14,950
Common stock issued for cash on March 5, 2010, at \$0.25 per share	155,000	155	38,595
Common stock issued for cash on March 10, 2010, at \$0.30 per share	66,667	67	19,904
Common stock issued for cash on March 12,	283,333	283	84,678

2010, at \$0.30 per share			
Common stock issued for cash on March 25, 2010, at \$0.19 per share	265,625	266	49,734
Common stock shares issued for services rendered:			
Common stock issued for services rendered, on January 6, 2010, at \$.58 per share	725,000	725	419,775
Common stock issued for services rendered, on January 12, 2010, at \$.75 per share	330,642	331	247,431
Common stock issued for services rendered, on February 2, 2010, at \$.62 per share	250,000	250	154,750
Common stock issued for services rendered, on February 5, 2010, at \$.57 per share	250,000	250	142,250
Common stock issued for services rendered, on February 9, 2010, at \$.62 per share	164,423	164	101,475
Common stock issued for services rendered, on	5,050	5	2,495



February 12, 2010, at \$.50 per share			
Common stock issued for services rendered, on February 17, 2010, at \$.51 per share	500,000	500	254,500
Common stock issued for services rendered, on February 23, 2010, at \$.45 per share	300,000	300	134,700
Common stock issued for services rendered, on February 24, 2010, at \$.45 per share	10,000	10	5,090
Common stock issued for services rendered, on February 25, 2010, at \$.41 per share	316,789	317	129,683
Common stock issued for services rendered, on March 12, 2010, at \$.39 per share	17,948	18	6,982
Common stock issued for services rendered, on March 15, 2010, at \$.32 per share	360,000	360	114,840
Common stock issued for services rendered, on March 25, 2010, at \$.19	200,000	200	37,800

per share			
Common stock issued for services rendered, on March 30, 2010, at \$.25 per share	28,000	28	6,972
Common stock issued for services rendered, on March 31, 2010, at \$.34 per share	246,933	247	83,710
Common stock issued for services rendered, on April 14, 2010, at \$.36 per share	6,944	7	2,493
Common stock issued for services rendered, on April 28, 2010, at \$.28 per share	8,928	9	2,491
Common stock issued for services rendered, on May 13, 2010, at \$.25 per share	10,000	10	2,490
Common stock issued for services rendered, on May 27, 2010, at \$.27 per share	9,259	9	2,491
Common stock issued for services rendered, on June 14, 2010, at \$.27 per share	9,259	9	2,491
	10,869	11	2,489

Common stock issued for services rendered, on June 28, 2010, at \$.23 per share

Common stock shares issued for severance:

Common stock issued for severance, on January 27, 2010, at \$.63 per share

1,400,000      1,400      880,600

Common stock issued for severance, on January 29, 2010, at \$.78 per share

100,000      100      77,900

Common stock shares issued in replacement of warrants:

Common stock issued in replacement of warrants, on January 29, 2010, at \$.63 per share

36,667      37      23,064

Common stock issued in replacement of warrants, on February 1, 2010, at \$.63 per share

31,667      32      19,919

Common stock issued in replacement of warrants, on February 2, 2010, at \$.63 per share

4,999      5      3,144

Common stock issued in

15,000      15      7,935

replacement of warrants, on February 11, 2010, at \$.53 per share								
Common stock issued in replacement of warrants, on March 22, 2010, at \$.63 per share				35,934	36	22,602		
Common stock issued in replacement of warrants, on March 29, 2010, at \$.25 per share				37,757	38	9,401		
Common stock warrants and option activity:								
Warrants for services rendered q1 2010						406,100		
Warrants for services rendered q2 2010						155,967		
Debt issuance discount						85,387		
Net Loss for six months period ended June 30, 2010							(5,109,556 )	
	-	-	-	-	74,663,693	81,359	47,045,757	(47,171,934) -

See accompanying notes to consolidated financial statements.

Global Resource Corporation  
(A Development Stage Company)  
Consolidated Statements of Cash Flows  
(With Cumulative Totals Since Inception)  
(unaudited)

	Six Months Ended		July 19, 2002
	June 30,	June 30,	(Inception)
	2010	2009	to June 30, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$(5,109,556)	\$(6,080,466)	\$(47,171,934)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	285,093	109,742	942,339
Amortization	2,330	-	2,330
Preferred stock issued for services	-	-	400,000
Common stock issued for services	1,491,658	43,250	23,876,967
Amortization of prepaid common stock issued for services	853,625	1,301,300	6,637,175
Common stock warrants and options issued for services	648,295	1,211,186	4,031,264
Amortization of deferred compensation	-	-	545,000
Amortization of debt discount	16,761	-	16,761
Loss on sale of property and equipment	-	-	51,441
Loss on sale of real estate and forfeiture of deposit	-	-	212,936
Loss on sale of short-term investments	-	17,438	17,438
Change in severance payable non-cash	-	-	1,035,485
Change in fair value of derivative financial instruments	31,052	252,765	(13,920,627)
Other than temporary losses on short-term investments	-	-	1,075,400
Common stock issued as charitable contribution	-	-	50,000
Changes in operating assets and liabilities			
Prepaid services	(350,000 )	85,000	496,625
Deposits	31,156	-	(148,174 )
Prepaid patent costs	(77,857 )	(80,364 )	(716,914 )
Accounts payable and accrued liabilities	319,320	(148,250 )	2,176,999
Deferred revenue	121,667	300,000	241,667
Severance payable	(39,743 )	(100,000 )	960,257
Total adjustments	3,333,357	2,992,067	27,984,369
Net cash used in operating activities	(1,776,199)	(3,088,399)	(19,187,565)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment - equipment & machinery	-	(74,718 )	(666,697 )
Purchase of property and equipment - construction-in-progress	-	(369,540 )	(1,352,987 )
Proceeds from sale of property and equipment	-	-	44,200
Proceeds from sale of real estate	-	-	617,864
Purchase of short-term investments	-	-	(4,586,334 )

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Proceeds from sale of short-term investments	-	2,556,886	3,510,934
Net cash provided by (used in) investing activities	-	2,112,628	(2,433,020 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issuance of common stock for cash	617,535		21,745,541
Proceeds from stock subscription receivable			(130,518 )
Proceeds from royalty advance	0		750,000
Purchase of treasury stock			(1,716,473 )
Proceeds from borrowings	1,193,073		1,193,073
Repayment of loans payable and capital lease obligation	(19,179 )	(26,612 )	(165,188 )
Net cash provided by (used in) financing activities	1,791,429	(26,612 )	21,676,435
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	15,230	(1,002,383)	55,850
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD</b>			
	40,620	2,013,730	-
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>			
	\$55,850	\$1,011,347	\$ 55,850
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES:</b>			
Interest Paid	\$4,406	\$4,465	\$ 70,002

See accompanying notes to consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

Global Resource Corporation  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
June 30, 2010

NOTE 1 – NATURE OF BUSINESS AND BASIS OF PRESENTATION

Nature of Business

Global Resource Corporation's ("GRC" or the "Company") business plan is to research, develop and market 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 relationships with established companies.

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 ". The Company has devoted substantially all of its efforts to business planning and development, as well as allocating a substantial portion of its time and resources in bringing its product to the market and the raising of capital. The Company has begun generating revenue from licensing agreements and has taken a conditional order for one development prototype machine related to one of those license agreements as of June 30, 2010. (see note 8 subsequent events)

Basis of Presentation

The accompanying consolidated balance sheet as of December 31, 2009, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations. The Company believes that the disclosures made are adequate to make the information not misleading. All adjustments that, in the opinion of management and consisting only of a normal and recurring nature, are necessary for a fair presentation for the interim periods have been reflected as required by Regulation S-X, Rule 10-01.

Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. It is suggested that these financial statements should be read in conjunction with the Company's consolidated financial statements and related notes contained in the Company's latest shareholders' annual report and the Company's Form 10-K for the year ended December 31, 2009 as filed with Securities and Exchange Commission.

Prior to September 22, 2006, GRC was a shell company ("old GRC (shell)").

On September 22, 2006, the old GRC (shell) completed its merger with Carbon Recovery Corporation (“CRC”), a New Jersey corporation formed on July 19, 2002, pursuant to a July 2006 plan and agreement of reorganization (“July 2006 CRC Acquisition Agreement”).

On December 31, 2006, the Company completed the acquisition of Mobilestream Oil, Inc. (“Mobilestream”) in a transaction deemed to be a merger of entities under common control.

#### Recapitalization Transaction

Each of the foregoing transactions changed the reporting entity of the Company. As a result of the CRC transaction, the Company’s reporting reflected the historical accounts of CRC. Subsequently, as a result of the Mobilestream transaction, the Company’s financial statements were combined with Mobilestream on an “as-if” pooling basis since the date common control was established. As a result of a February 2006 recapitalization transaction between Mobilestream, legal acquirer, and PSO Enterprises, Inc. (“PSO”) (surviving corporation of a January 2006 merger with a related party, Careful Sell Holdings, LLC (“Careful Sell”)), accounting acquirer, common control was established at February 17, 2005, the inception date of Careful Sell.



Global Resource Corporation  
(A Development Stage Company)  
Notes to the Consolidated Financial Statements  
June 30, 2010

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of GRC and its wholly-owned subsidiaries, Global Scientific Corporation and Global Heavy Oil Corporation. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 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 quarter ended and six months ended June 30, 2010 all of the Company's revenues were generated from a licensing agreement (see Note 7 – Commitments and Contingencies –Schlumberger Agreement).

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 FASB ASC 730-10, “ Accounting for Research and Development Cost”. 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.

### Stock-Based Compensation

Effective January 1, 2006, the Company adopted FASB ASC No. 718 (formerly SFAS No. 123R), “ 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.

On January 1, 2006, the Company adopted the provisions of ASC 718 using the modified prospective transition method. The total expense associated with stock-based employee compensation was \$0 and \$520,000 for the three months ended June 30, 2010 and 2009, respectively. The total expense associated with stock-based employee compensation was \$0 and \$780,000 for the six months ended June 30, 2010 and 2009 and \$3,244,000 for the period July 19, 2002 (inception) to June 30, 2010.

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 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 June 30, 2010 and 2009 respectively, are as follows:

	2010	2009
Options	3,200,000	1,200,000
Warrants	14,740,950	22,075,836
Convertible preferred stock	-	-
Total	17,940,950	23,275,836

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 June 30, 2010 and 2009.

### Derivative Financial Instruments

The Company’s derivative financial instruments include freestanding warrants and options to purchase the Company’s common stock. The Company’s derivative liabilities relate solely to the CRC Acquisition agreement Class B, class D and class E warrants. Under certain circumstances that would require the Company to settle these instruments in cash, and without regard to probability, the Company classifies of all these instruments as liabilities. The Company adjusts

these financial instruments to fair value at each reporting date, with such adjustments reflected in the Company's consolidated statements of operations and comprehensive loss.

#### Fair Value Measurements

On January 1, 2008, the Company adopted FASB ASC 820-20-50 (formerly SFAS No. 157) "Fair Value Measurements". The FASB ASC provision defines fair value, provides a consistent framework for measuring fair value under generally accepted accounting principles and expands fair value financial statement disclosure requirements. Fair value valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. The provision classifies these inputs into the following hierarchy:

- Level 1 Inputs – Quoted prices for identical instruments in active markets
- Level 2 Inputs – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuation whose inputs are observable or whose significant value drivers are observable
  - Level 3 Inputs – Instruments with primarily unobservable value drivers

NOTE 3- GOING CONCERN

As shown in the accompanying consolidated financial statements, the Company incurred substantial net losses in the amount of \$5,092,793 for the six months ended June 30, 2010 and \$47,155,172 for the cumulative period from July 19, 2002 (inception) to June 30, 2010. The Company also had negative cash flows from its operations in the amount of \$1,776,198 and \$19,187,564 for the six months ended June 30, 2010 and for the cumulative period from July 19, 2002 (inception) to June 30, 2010, respectively.

Based on the Company's current operating plan, total cash expenditures needed for the next twelve months are expected to exceed the Company's cash of approximately \$56,000 as of June 30, 2010. The Company's assessment of its cash needs may be affected by changes in the assumptions relating to the Company's strategy, technological and engineering requirements in the development of its products as well as payroll, staff and administrative related matters.

On April 23, 2009, the Company, through a wholly-owned subsidiary, entered into a Joint Development Agreement pursuant to which the Company received \$300,000 on May 22, 2009 and another \$300,000 in April 2010 and upon a successful completion of Phase I of the Agreement and the beginning of Phase II the Company is to receive a \$1,000,000 one-time engineering fee (See Note 7 – Commitments and Contingencies – Schlumberger Agreement). On October 14, 2009, the Company entered into a licensing and purchasing agreement and received a \$750,000 licensing fee (see Note 7 – Commitments and Contingencies – Universal Alternative Fuels Agreement).

The Company has completed a development prototype fixed frequency microwave reactor system, named "Patriot-1" which it has used to demonstrate the decomposition of tires into diesel oil, combustible gas and carbon char. Between May 4, 2009 and March 23, 2010, the Company provided public demonstrations of the Patriot-1 to prospects, partners and dignitaries at its outside contract manufacturer's facility (Ingersoll Production System) located in Rockford, Illinois and has since relocated the Patriot-1 to a new facility in North Carolina. As of June 30, 2010, the Company did not have any committed orders for its equipment. (However, see Note 7 - with respect to an order for a development prototype machine received on October 14, 2009 from Universal Alternative Fuels, Inc.). Management believes that it will take the Company approximately twelve months to deliver a system from the time the Company receives an order. Management currently anticipates that each order will be accompanied by a deposit from the purchaser which will be recorded as deferred revenue until the equipment is shipped, installed and operating successfully at the destination site.

The Company's plans to address the expected cash shortfall are dependent upon its ability to raise capital or to secure significant sales orders of our system as a source of revenue. Subsequent to the balance sheet date of June 30, 2010, the Company has raised approximately \$1.6 million in cash from various equity and debt transactions. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations thus raising substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and liabilities in the normal course of business.

The consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded assets and liabilities that might result should the Company be unable to continue as a going concern.

NOTE 4- BALANCE SHEET COMPONENTS

Prepaid Services

During the six months ended June 30, 2010, the Company issued an aggregate of 1,225,000 shares of common stock to non-employees for services to be performed under various agreements. The transactions were valued at the fair value of the common stock at the commitment date in the amount of \$675,500, as that was deemed to be the more readily determinable value.

During the three month and six month periods ended June 30, 2010, the Company recorded an expense of \$411,125 and \$853,625, respectively, to the accompanying consolidated statement of operations and comprehensive loss for the amortization of stock issued for services during 2009 and 2010. The unamortized amount as of June 30, 2010 is \$399,125.

During the three month and six month periods ended June 30, 2009, the Company recorded an expense of \$752,625 and \$1,301,300 to the accompanying consolidated statement of operations and comprehensive loss for the amortization of stock issued for services that were issued in 2009 and 2008.

### Property and Equipment

Property and equipment as of June 30, 2010 and December 31, 2009 were as follows:

	Estimated Useful Lives (Years)	2010	2009
Testing equipment	5 – 7	\$ 493,906	\$ 493,906
Office, future & computer equipment	3 – 5	132,079	132,079
Leasehold improvements	3	17,820	17,820
Phone equipment –Capital lease	3	32,432	32,432
Prototype – “Patriot-1”	3	1,352,986	1,352,986
	Total	2,029,223	2,029,223
Less accumulated depreciation and amortization		884,115	599,022
<b>Net Property and Equipment</b>		<b>\$ 1,145,108</b>	<b>\$ 1,430,201</b>

Depreciation expense charged to operations for the quarters ended June 30, 2010 and 2009 was \$141,844 and \$109,742, respectively. Depreciation expense charged to operations for the six months ended June 30, 2010 and 2009 and the cumulative period July 19, 2002 (inception) to June 30, 2010, was \$285,093, \$109,742 and \$942,339, respectively.

The prototype machine Patriot-1 was completed in second quarter 2009, prior to that it was consider Construction-in-progress. The completed commercial prototype machine will be used to demonstrate the capabilities of the Technology and will not be sold.

### Patents

The Company currently has three utility patent applications pending in the United States Patent and Trademark Office ("USPTO") 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 USPTO. A Notice of Allowance is issued if one or more of the claims of an application are allowed and precedes the formal patent issuance. The Company's 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. Legal fees associated with the above mentioned patent applications are recorded as prepaid patent costs on the accompanying condensed consolidated balance sheets. Upon final approval by the USPTO, the prepaid patent costs will be reclassified to an intangible asset and amortized over the expected life of the patent.

On December 8, 2009, the U.S. Patent and Trademark Office issued U.S. Patent No. 7,629,427 to the Company. The Company anticipates that this technology will be the core of the Company's Patriot 2 TM Tire-to-Fuel Oil Recycling

System, in addition to other potential future applications. This patent was determined to have a value of \$79,203 and reclassified from prepaid patent to patents on the December 31, 2009 consolidated balance sheets.

The prepaid patent costs are \$637,712 and \$559,855 at June 30, 2010 and December 31, 2009, respectively. Patent amortization expense charged to operations for the six months ended June 30, 2010 and 2009 and the cumulative period July 19, 2002 (inception) to June 30, 2010, was \$2,330, \$0, and \$2,330, respectively.



## Royalty Advance Related to Joint Development Agreement (Universal Alternative Fuels Agreement)

As more fully described in Note 7 – Commitments and Contingencies, on October 14, 2009, the Company entered into a license agreement with Universal Alternative Fuels (“UAF”) and during the fourth calendar quarter of 2009 received \$750,000 as a license fee.

As of December 31, 2009 and June 30, 2010, the \$750,000 paid to the Company from UAF has been recognized on the consolidated balance sheet as a current liability (Royalty Advance fee).

## Deferred Revenue Related to Joint Development Agreement (Schlumberger Agreement)

As more fully described in Note 7 – Commitments and Contingencies, on April 23, 2009, Global Heavy Oil Corporation, a wholly-owned subsidiary of the Company (“GHO”), entered into a Joint Development Agreement (the “JDA”) with Schlumberger Technology Corporation and Schlumberger Holdings Limited (collectively, “Schlumberger”; together with GHO, the “JDA Parties”).

Pursuant to the JDA, on May 22, 2009 Schlumberger made a non-refundable payment of \$300,000 to GHO and another \$300,000 on the first anniversary of the JDA. These moneys are non-refundable. As of December 31, 2009, the Company recognized \$180,000 of it as revenue, with the remaining \$120,000 remaining on the accompanying consolidated balance sheet as deferred revenue. On March 4, 2010, the Company received the second \$300,000 payment from Schlumberger. During the three and six month periods ended June 30, 2010, the Company recognized \$88,333 and \$178,333, respectively, of it as revenue. As of June 30, 2010, \$241,667 remained on the accompanying consolidated balance sheet as deferred revenue.

The Company recognizes revenue in accordance with Securities and Exchange Commission guidance Staff Accounting Bulletin No. 104 “Revenue Recognition in Financial Statements” (SAB 104) guidance on revenue recognition. Revenue is recognized when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the resulting receivable is reasonably assured. Revenue is recognized as services are rendered in accordance with the terms of the JDA.

## Convertible Promissory Notes

During the quarter ended June 30, 2010, the Company issued convertible promissory notes to various parties in exchange for \$1,193,073 in cash. As of June 30, 2010 and December 31, 2009, convertible promissory notes payable consists of the following:

	2010	2009
Noninterest-bearing, unsecured convertible promissory notes	\$ 1,193,073	\$ -
Less unamortized discount	68,625	-
Convertible promissory notes, net	\$ 1,124,448	\$ -

As issued, these promissory notes were mandatorily convertible into our Series A Preferred Stock upon the earliest to occur of the attainment of a specified level of total financing or May 31, 2011. Upon conversion, the note holder was to receive a number of shares of Series A Preferred Stock equal to the amount computed by dividing (1) the value of the note being converted by (2) the Series A financing selling price (estimated to be approximately \$0.24 per share) and a warrant for common stock. When issued, the warrants are expected to have an exercise price equal to the par value of the Company’s common stock (\$0.001).

At issuance, the Company discounted the notes at an imputed interest rate of 12% and recorded a debt discount in the amount of \$85,386 which amount is being amortized as interest expense over the expected term of the notes. Interest expense associated with the debt discount amortization totaled \$16,761 for the quarter ended June 30, 2010. See note 8 subevents.

NOTE 5 - RELATED PARTY TRANSACTIONS

The Company engaged Clark Resources, Inc. (“Clark”), a governmental relations consulting firm located in Harrisburg, Pennsylvania, to provide consulting services with respect to governmental issues concerning permits and funding. The Company has a monthly retainer agreement with Clark and for the six months ended June 30, 2010 and 2009, and for the cumulative period July 12, 2002 (inception) to June 30, 2010, paid Clark Resources a total of \$0, \$15,000, and \$169,670, respectively. The president and CEO of Clark is Frederick A. Clark, who has served as a director of the Company since December 2006. On March 8, 2010, Mr. Clark resigned as a member of the Board of directors.

In November 2007, the Company entered into a six month consulting agreement with Worldwide Strategic Partners, Inc. (“Worldwide”), a corporation in which General Lincoln Jones III, one of our directors, has an ownership interest in excess of ten percent. The consulting agreement was executed and delivered approximately six-months before General Jones became a director of our Company. Subsequent to the execution of the consulting agreement with Worldwide, the Company issued a total of 150,000 shares of its common stock to Worldwide and its assignees valued at \$448,000 through June 30, 2008, of which 31,250 shares were distributed to General Jones. On May 26, 2008, the Company and Worldwide terminated the November 2007 consulting agreement by agreeing to pay Worldwide a total of 275,000 shares of its common stock for services rendered, inclusive of the 150,000 shares previously issued. The residual expense of \$281,250 associated with consulting services was recorded to the consolidated statement of operations and comprehensive loss in general and administrative expenses in the third quarter of 2008. On May 26, 2008, the Company entered into a new five-year consulting agreement with Worldwide expiring on May 26, 2013, pursuant to which Worldwide will identify potential acquisition candidates or joint venture partners for the Company, and upon closing a transaction with any such candidate, the Company will pay Worldwide a fee based upon a percentage of the value of the transaction beginning with 5% of the first \$1,000,000 dollars, and declining 1% for each successive \$1,000,000 increase in transaction value until Worldwide receives 1% of the transaction value in excess of \$4,000,000. On March 8, 2010, General Jones III resigned as a member of the Board of directors.

On September 4, 2008, the Company entered into a consulting agreement with Paul Sweeney for services relating to investor relations and other investment banking services. On September 8, 2008, the Company issued 1,500,000 shares of its common stock to Mr. Sweeney valued at \$1,440,000 for his consulting services. The Company recorded an expense of \$960,000, for the year ended December 31, 2009 and \$480,000 for the year ended December 31, 2008 respectively in the consolidated statements of operations and comprehensive loss for the twelve month periods ended December 31, 2009. The Company recorded an expense of \$360,000 for the three months ended June 30, 2009 and \$720,000 for the six months ended June 30, 2009 in the consolidated statement of operations and comprehensive loss. Mr. Paul Sweeney has served as a director of the Company since August 2008.

On October 1, 2008, the Company entered into a four month consulting agreement with LP (Origination) Limited (“LP”), a company incorporated in the United Kingdom, to provide consulting services relating to the oil and gas industries. The Company issued 100,000 shares of its common stock to LP on October 7, 2008 for payment of these consulting services, and \$37,250 of the total charge of \$149,000 was recorded as prepaid services on the condensed consolidated balance sheet at December 31, 2008. The president of LP is Peter A. Worthington, who has served as a director of the Company since August 2008. On May 28, 2009, the Board of Directors of the Company appointed Mr. Worthington as Interim Ch