Global Resource CORP
Form S-1/A
January 22, 2010

As filed with the Securities and Exchange Commission on January 22, 2010

Registration No. 333-149199

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
(Amendment No. 5)

GLOBAL RESOURCE CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	2860	84-1565820
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1000 Atrium Way, Suite 100
Mount Laurel, New Jersey 08054
(856) 767-5665
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ken Kinsella
Chief Executive Officer
Global Resource Corporation
1000 Atrium Way, Suite 100
Mount Laurel, New Jersey 08054
(856) 767-5665
(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered(4)	Amount to be Registered	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (5)
Common Stock, par value $.001 per share(4(i))	11,145,225	$2.69(1)	$29,980,655	$1,178.24
Warrants to Purchase Common Stock(4(ii))	3,705,867	(2)	(2)	(2)
Common Stock, par value $.001 per share(4(iii))	3,705,867	$4.75(3)	$17,602,868	$691.79
Common Stock, par value $.001 per share(4(iv))	11,188,996	$2.69(1)	$30,098,399	$1,182.87
Warrants to Purchase Common Stock(4(v))	3,908,340	(2)	(2)	(2)
Common Stock, par value $.001 per share(4(vi))	3,908,340	$2.75(3)	$10,747,935	$422.39
Warrants to Purchase Common Stock(4(vii))	1,397,600	(2)	(2)	(2)
Common Stock, par value $.001 per share(4(viii))	1,397,600	$2.75(3)	$3,843,400	$151.05
Warrants to Purchase Common Stock(4(ix))	1,397,600	(2)	(2)	(2)
Common Stock, par value $.001 per share(4(x))	1,397,600	$4.00(3)	$5,590,400	$219.70

(1) The price is estimated in accordance with Rule 457(c) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee and is based upon the average of the closing bid and ask prices of our common stock on February 8, 2008 as reported by the Pink Sheets.

(2) Pursuant to Rule 457(g), no separate registration fee is payable with respect to the Warrants being offered hereby since the Warrants are being registered in the same registration statement as the securities to be offered pursuant thereto.

(3) The price is estimated in accordance with Rule 457(g) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee and is based upon the exercise price of the Warrants.

(4) 22,334,221 shares of our common stock (the "Shares") and 10,409,407 warrants to purchase our common stock (the "Warrants") are being registered for distribution by the Mobilestream Liquidating Trust and the Carbon Recovery Liquidating Trust to their beneficiaries, and 10,409,407 shares of our common stock are being registered for issuance by the Company upon exercise of the Warrants (the "Warrant Shares"), and include:

(i) 11,145,225 currently issued Shares (the "Mobilestream Acquisition Common Stock") for distribution by the Mobilestream Liquidating Trust, a liquidating trust established in connection with the acquisition of the assets of Mobilestream Oil, Inc. by the Company, to its beneficiaries;

(ii) 3,705,867 currently issued Warrants exercisable at $4.75 per share (the "Mobilestream Acquisition Warrants") for distribution by the Mobilestream Liquidating Trust to its beneficiaries;

(iii) 3,705,867 Warrant Shares issuable upon the exercise of the Mobilestream Acquisition Warrants (the "Mobilestream Acquisition Warrant Shares");

(iv) 11,188,996 currently issued Shares (the "Carbon Recovery Acquisition Common Stock") for distribution by the Carbon Recovery Liquidating Trust, a liquidating trust established in connection with the acquisition of the assets of Carbon Recovery Corporation by the Company, to its beneficiaries;

(v) 3,908,340 currently issued Warrants exercisable at $2.75 per share (the "Carbon Recovery Acquisition Class B Warrants") for distribution by the Carbon Recovery Liquidating Trust to its beneficiaries;

(vi) 3,908,340 Warrant Shares issuable upon the exercise of the Carbon Recovery Acquisition Class B Warrants (the "Carbon Recovery Acquisition Class B Warrant Shares");

(vii) 1,397,600 currently issued Warrants exercisable at $2.75 per share (the "Carbon Recovery Acquisition Class D Warrants") for distribution by the Carbon Recovery Liquidating Trust to its beneficiaries;

(viii) 1,397,600 Warrant Shares issuable upon the exercise of the Carbon Recovery Acquisition Class D Warrants (the "Carbon Recovery Acquisition Class D Warrant Shares");

(ix) 1,397,600 currently issued Warrants exercisable at $4.00 per share (the "Carbon Recovery Acquisition Class E Warrants") for distribution by a liquidating trustee to the beneficiaries of the Carbon Recovery Liquidating Trust; and

(x) 1,397,600 Warrant Shares issuable upon the exercise of the Carbon Recovery Acquisition Class E Warrants (the "Carbon Recovery Acquisition Class E Warrant Shares").

(5) The registration fee with respect to the shares has been previously paid.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THE SELLING STOCKHOLDERS MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING OFFERS TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE OF THESE SECURITIES IS NOT PERMITTED.

Subject to completion
Dated January 22, 2010

PRELIMINARY PROSPECTUS

10,409,407 Warrants

32,743,628 Shares of Common Stock

GLOBAL RESOURCE CORPORATION

This prospectus relates to (i) the distribution by the Mobilestream Liquidating Trust and the Carbon Recovery Liquidating Trust (together, the “Distributing Stockholders”) of a total of 22,334,221 shares of our common stock (the “Shares”) and warrants to purchase a total of 10,409,407 shares of our common stock (the “Warrants”) to the beneficiaries of such liquidating trusts and (ii) the issuance of 10,409,407 shares of our common stock upon exercise of the Warrants (the “Warrant Shares”).

Each of the Mobilestream Liquidating Trust and the Carbon Recovery Liquidating Trust is acting as an “underwriter” with the meaning of the Securities Act of 1933, as amended, with respect to the offering of securities to which this prospectus relates.

Trades in shares of our common stock are reported on the Pink Sheets under the symbol “GBRC”. On January 15, 2010, the last sale price of our common stock as reported on the Pink Sheets was $0.72 per share.

We will not receive any proceeds from the distribution of the Shares and the Warrants pursuant to this prospectus, but will receive the applicable exercise price upon the issuance of Warrant Shares in the event that any Warrants are properly exercised. All net proceeds from sales of Warrant Shares will be received by those persons exercising Warrants and not us. All costs, expenses and fees in connection with the registration of the Shares, the Warrants and the Warrant Shares being offered hereby will be borne by us. Brokerage commissions and similar selling expenses, if any, attributable to the sale of Warrant Shares will be borne by those persons exercising the Warrants.

We have not authorized anyone to provide information different from that contained in this prospectus. Neither the delivery of this prospectus nor the distribution or sale of the securities offered hereby means that information contained in this prospectus is correct after the date of this prospectus. You should assume that the information contained in this prospectus is accurate only as of the date on the front cover of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these securities in any circumstances under which the offer or solicitation is unlawful.

THE SECURITIES OFFERED BY THIS PROSPECTUS INVOLVE A HIGH DEGREE OF RISK. FOR MORE INFORMATION, SEE “RISK FACTORS” BEGINNING ON PAGE 7.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is January __, 2010

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PROSPECTUS SUMMARY

This summary provides a brief overview of the key aspects of this offering. Because it is only a summary, it does not contain all of the detailed information contained elsewhere in this prospectus or in the documents incorporated by reference into this prospectus or included as exhibits to the registration statement that contains this prospectus. This summary may not contain all of the information that may be important to you. We urge you to read this entire prospectus carefully, including the risks of investing in our common stock discussed under "Risk Factors" and the financial statements and other information that is incorporated by reference into this prospectus, before making an investment decision. All references in this prospectus to "Global", "we", "us", "our", "our Company" or" the Company" re Global Resource Corporation.

The Company

Our 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 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 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, licensing or sale of the Technology and/or design, manufacture and sale of machinery and equipment units.

In October 2008, we completed our first commercial prototype machine that uses our Technology for decomposing tires, the Patriot-1. During May 2009 and June 2009, we completed two demonstrations of the Patriot-1 which we believe were successful. We have no manufacturing capability of our own. Accordingly, we entered into an agreement with Ingersoll Production Systems, a manufacturing facility in Rockford, Illinois, for research on and the manufacture of our machines, where the Patriot-1 was completed. The prototype is being tested initially to apply our microwave Technology to the decomposition of tires as waste and to retrieve commercially viable components therefrom in the form of carbon, liquid hydrocarbons which can be converted to electricity, and gas. 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 to show customers that the process works as applied to a specific feedstock and is viable for commercialization. We are currently working with the Patriot 2, our next generation prototype containing additional features and improved efficiency.

We do not 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 evaluates 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 generating revenue from licensing agreements and have taken a conditional order for one development prototype machine related to one of those license agreements. We are also currently conducting preliminary negotiations with additional prospective purchasers of machines and have entered into an exclusive marketing agreement with one company for a designated geographic area outside the United States. 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.

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 1000 Atrium Way, Suite 100, Mount Laurel, NJ 08054. 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".

Recent Developments

Appointment of New Independent Accountants

On February 2, 2009, we dismissed Bagell, Josephs, Levine & Company, L.L.C. as the Company's independent registered public accounting firm. On February 18, 2009, we appointed Rothstein Kass & Company, P.C. as the Company's independent registered public accounting firm.

Restatement of Financial Statements

On March 31, 2009, the Company's Audit Committee concluded, upon the advice of management, that its previously issued consolidated financial statements contained in the Company's annual report on Form 10-KSB for the years ended December 31, 2007 and 2006 and its quarterly reports on Form 10-QSB for the periods ended March 31, June 30 and September 30, 2007 and Form 10-Q for the periods ended March 31, June 30 and September 30, 2008 will require restatement and should no longer be relied upon. The Company retained its independent registered public accounting firm, Rothstein Kass & Company, P.C. ("Rothstein Kass"), to reaudit its historical financial statements. The results of such reaudits and restatements are reflected in the Financial Statements contained in this Prospectus. The Company also intends to amend and restate its consolidated financial statements for all prior quarters for 2006, 2007 and 2008 as soon as practicable and to file amendments to all applicable previously filed quarterly and annual reports file remaining restatements as soon as practicable. The Company believes that the restatements and reclassifications made and intended to be made have not and will not materially impact the ability of the Company to implement its business plan on a going-forward basis nor materially impact its cash position, except for the payment of additional auditing and legal fees incurred in connection with the reaudits, restatements and reclassifications, as the restatements and reclassifications relate solely to non-cash charges.

Retirement of Chief Operating Officer

On April 17, 2009, Wayne J. Koehl retired as an employee with the Company from the position of Chief Operating Officer.

Joint Development Agreement

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 parties to the Joint Development Agreement agreed to use reasonable efforts to collaborate in order 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.

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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.

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. If a phase's objectives are not satisfied within the allotted timeframe, the collaboration under the Joint Development Agreement would terminate.

Demonstrations of Prototype

The Company has completed two demonstrations of our commercial prototype machine with the first demonstration taking place May 4-8, 2009 and the second demonstration taking place June 8-11, 2009. Both 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) in Rockford, Illinois. 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.

Separation of Board Chairman and Chief Executive Officer Roles

On May 28, 2009, the Board of Directors of the Company voted to separate the position of Chairman of the Board from that of Chief Executive Officer of the Company in order to strengthen both the corporate governance and the management team of the Company. Consequently, the Board appointed Peter A. Worthington, a director of the Company, to the position of Interim Chairman of the Board of Directors until a permanent, independent Chairman of the Board is appointed. Mr. Worthington resigned from the Board of Directors, including from the position of Interim Chairman, on November 11, 2009.

Termination of Former Chief Executive Officer and Severance Agreement

Effective on July 6, 2009, the Company terminated the employment of Eric Swain, the then Chief Executive Officer of the Company, and removed him from the Company's Board of Directors. Effective upon Mr. Swain's removal, the Board of Directors appointed Peter A. Worthington to the position of Chief Executive Officer (from which Mr. Worthington resigned on November 11, 2009). On October 2, 2009, the Company entered into a Settlement Agreement and Release with Mr. Swain.

Notice of Allowance

We currently have 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 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.

Pringle Severance Agreement Amendment

On November 12, 2008, the Company entered into a severance agreement with Frank Pringle and 888 Corporation, a New Jersey corporation owned directly or indirectly by Frank Pringle. On September 29, 2009, (i) the Company declined to exercise its right of first refusal under the Severance Agreement to purchase a total of 950,000 shares from Mr. Pringle and (ii) the Company and Pringle agreed to amend the Pringle Severance Agreement with respect to the selling restrictions contained in the Severance Agreement.

License Agreement and Purchase Order

On October 14, 2009, the Company entered into a License Agreement with Universal Alternative Fuels, Inc. ("UAF"). Pursuant to the terms of the License Agreement, in material part, (i) UAF purchased 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 and the recovery of energy, energy-producing materials and by-products from oil shale and coal; (ii) UAF paid to the Company a license fee of $750,000 and will issue to the Company shares of common stock of UAF equal to 20% of the issued and outstanding shares of UAF common stock; and (iii) 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. In connection with the License Agreement, (i) the Company entered into a Security Agreement with UAF and (ii) UAF issued a Purchase Order to the Company.

Warrants Expiration Date Extension

On October 22, 2009, the Company extended the expiration date of all warrants to purchase shares of its Common Stock that were outstanding as of August 31, 2009 and were set to expire prior to March 31, 2010 to March 31, 2010.

Additional Change of Chief Executive Officer and Chairman of the Board

On November 11, 2009, Peter A. Worthington resigned from the position of Chief Executive Officer of the Company as well as from its Board of Directors, including as Interim Chairman of the Board.

On November 11, 2009, the Board elected Mr. Brian Ettinger to the Board of Directors of the Company and appointed him as the Chairman of the Board, filling the vacancy created by the resignation of Mr. Worthington.

On November 11, 2009, the Board appointed Mr. Ken Kinsella to the position of Chief Executive Officer of the Company.

Reserve Equity Financing Agreement

On November 24, 2009, we entered into a Reserve Equity Financing Agreement with AGS Capital Group, LLC ("AGS"). In connection and contemporaneous with the execution of the Reserve Equity Financing Agreement, the Company also entered into a Registration Rights Agreement with AGS. Pursuant to the terms of the Reserve Equity Financing 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. However, there is no guarantee that we will be able to meet the conditions under the Reserve Equity Financing Agreement in order to draw down any portion of the amounts available under the Reserve Equity Financing Agreement.

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 2TM Tire-to-Fuel Oil Recycling System, in addition to other potential future applications. The Patriot 2TM is our next generation prototype containing additional features and improved efficiency.

Consulting Agreement with Chairman of the Board

On January 1, 2010, the Company entered into a Consulting Services Agreement with Brian Ettinger, the Chairman of the Board of Directors of the Company. Pursuant to the Consulting Services Agreement, (A) Mr. Ettinger agreed to provide the Company with certain consulting services outside his duties as Chairman of the Board of Directors of the Company and (B) as compensation for the consulting services to be provided by Mr. Ettinger pursuant to the Consulting Services Agreement, the Company agreed to issue to Mr. Ettinger (i) 375,000 shares of its Common Stock, which shares were issued on January 6, 2010 and which may be required to be assigned back to the Company in the event of the termination of the Consulting Services Agreement under certain circumstances, and (ii) warrants to purchase a total of 500,000 shares of the Company's Common Stock at an exercise price of $0.58 per share, which warrants were issued on January 6, 2010, half of which warrants vest on each of July 1, 2010 and January 1, 2011 and which warrants are exercisable for a 24 month period following the respective vesting dates.

For more information on these recent developments, see “DESCRIPTION OF BUSINESS – Recent Developments” beginning on page 17.

Risk Factors

An investment in the shares of our common stock or warrants involves a high degree of risk and may not be an appropriate investment for persons who cannot afford to lose their entire investment. For a discussion of some of the risks you should consider before purchasing shares of our common stock, you are urged to carefully review and consider the section entitled “Risk Factors” beginning on page 5 of this prospectus.

The Offering

This prospectus covers (i) the distribution by the Mobilestream Liquidating Trust and the Carbon Recovery Liquidating Trust (together, the “Distributing Stockholders”) of a total of 22,334,221 shares of our common stock (the “Shares”) and warrants to purchase a total of 10,409,407 shares of our common stock (the “Warrants”) to the beneficiaries of such liquidating trusts and (ii) the issuance of 10,409,407 shares of our common stock upon exercise of the Warrants (the “Warrant Shares”), and include:

(i) 11,145,225 currently issued Shares (the "Mobilestream Acquisition Common Stock") held by the Mobilestream Liquidating Trust, a liquidating trust established in connection with the acquisition of the assets of Mobilestream Oil, Inc. by the Company, for distribution by the Mobilestream Liquidating Trust to its beneficiaries;

(ii) 3,705,867 currently issued Warrants exercisable at $4.75 per share (the "Mobilestream Acquisition Warrants") for distribution by the Mobilestream Liquidating Trust to its beneficiaries;

(iii) 3,705,867 Warrant Shares issuable upon the exercise of the Mobilestream Acquisition Warrants (the "Mobilestream Acquisition Warrant Shares");

(iv) 11,188,996 currently issued Shares (the "Carbon Recovery Acquisition Common Stock") held by the Carbon Recovery Liquidating Trust, a liquidating trust established in connection with the acquisition of the assets of Carbon Recovery Corporation by the Company, for distribution by the Carbon Recovery Liquidating Trust to its beneficiaries;

(v) 3,908,340 currently issued Warrants exercisable at $2.75 per share (the "Carbon Recovery Acquisition Class B Warrants") for distribution by the Carbon Recovery Liquidating Trust to its beneficiaries;

(vi) 3,908,340 Warrant Shares issuable upon the exercise of the Carbon Recovery Acquisition Class B Warrants (the "Carbon Recovery Acquisition Class B Warrant Shares");

(vii) 1,397,600 currently issued Warrants exercisable at $2.75 per share (the "Carbon Recovery Acquisition Class D Warrants") for distribution by the Carbon Recovery Liquidating Trust to its beneficiaries;

(viii) 1,397,600 Warrant Shares issuable upon the exercise of the Carbon Recovery Acquisition Class D Warrants (the "Carbon Recovery Acquisition Class D Warrant Shares");

(ix) 1,397,600 currently issued Warrants exercisable at $4.00 per share (the "Carbon Recovery Acquisition Class E Warrants") for distribution by the Carbon Recovery Liquidating Trust to its beneficiaries; and

(x) 1,397,600 Warrant Shares issuable upon the exercise of the Carbon Recovery Acquisition Class E Warrants (the "Carbon Recovery Acquisition Class E Warrant Shares").

For a complete description of the terms and conditions of our common stock and warrants, you are referred to the section in this Prospectus entitled “Description of Securities.”

From time to time in this Prospectus, we refer to the shares registered under this prospectus collectively as the "Shares", the different classes of warrants we have registered collectively as the "Warrants" and the separate numbers of shares of our common stock we have registered and that are issuable upon exercise of the Warrants collectively as the "Warrant Shares."

Common stock offered	32,743,628
Warrants offered	10,409,407
Common stock outstanding before the offering (1)	68,654,256 shares
Common stock outstanding after the offering (2)	79,013,663 shares
Common Stock trading symbol (Pink Sheets)	GBRC

(1) Based on the number of shares outstanding as of January 15, 2010, but does not include (i) 23,225,836 shares issuable upon exercise of outstanding warrants to purchase our common stock, of which 10,409,407 shares are covered by this Prospectus, (ii) 2,200,000 shares issuable upon the exercise of outstanding vested options to purchase our common stock and (iii) 4,460,000 shares issuable upon the exercise of outstanding options to purchase our common stock which have not yet vested, of which 3,460,000 are subject to stockholder approval of an amendment to our stock option plan increasing the number of options authorized for issuance (of which 885,000 options will vest immediately upon approval).

(2) Assumes the issuance of all shares of common stock offered by this Prospectus that are issuable upon the exercise of Warrants, but does not include (i) 12,816,429 shares issuable upon exercise of outstanding warrants to purchase our common stock, (ii) 2,200,000 shares issuable upon the exercise of outstanding vested options to purchase our common stock and (iii) 4,460,000 shares issuable upon the exercise of outstanding options to purchase our common stock which have not yet vested, of which 3,460,000 are subject to stockholder approval of an amendment to our stock option plan increasing the number of options authorized for issuance (of which 885,000 options will vest immediately upon approval).

In connection with the Mobilestream and Carbon Recovery acquisitions described below under "DESCRIPTION OF BUSINESS - History of the Company", we agreed to file a registration statement, of which this prospectus forms a part, covering (i) the distribution by the Mobilestream Liquidating Trust and the Carbon Recovery Liquidating Trust of the Shares and Warrants and (ii) the issuance of the Warrant Shares upon exercise of the Warrants.

There is no organized market for our Warrants and we do not expect such a market to be created or developed in connection with this offering.

The offering will terminate: (i) with respect to the Shares and the Warrants, when the distributions by the Mobilestream Liquidating Trust and the Carbon Recovery Liquidating Trust to their beneficiaries are completed, and (ii) with respect to the Warrant Shares, on the earlier of the dates on which the Warrants expire or all of the Warrants are exercised and all Warrant Shares have been issued.

Use of Proceeds

We will not receive any proceeds from the distribution of the Shares and the Warrants pursuant to this Prospectus, but we will receive the applicable exercise price upon the issuance of Warrant Shares in the event that any Warrants are properly exercised. If all such Warrants are properly exercised, the total proceeds we would receive is $37,784,358.50. However, as of today's date, none of the Warrants are "in the money" and are therefore unlikely to be exercised at this time. We expect to use the proceeds, if any, that we receive from the exercise of Warrants for general working capital purposes.

RISK FACTORS

The purchase of shares of our common stock and warrants is very speculative and involves a very high degree of risk. An investment in our company is suitable only for the persons who can afford the loss of their entire investment. Accordingly, investors should carefully consider the following information about these risks, as well as other information set forth in this Prospectus, in making an investment decision with respect to our common stock and warrants. We have sought to identify what we believe to be all material risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise.

Risks Relating to Our Business Operations

We May Face Potential Liability With Respect to Past Acquisitions and Related Securities Issuances.

With respect to our acquisitions of the assets of Carbon Recovery Corporation and Mobilestream Oil, Inc. during 2006 (the “Carbon Recovery and Mobilestream Acquisitions”; see “DESCRIPTION OF BUSINESS – History of the Company”) and the registration under the Securities Act of 1933, as amended (the “Securities Act”), on the registration statement of which this prospectus forms a part (the “Registration Statement”) of securities issued by us and held by the Carbon Recovery Liquidating Trust and the Mobilestream Liquidating Trust in connection therewith, specifically (i) the distribution of 22,334,221 shares of our common stock (the “Shares”) and warrants to purchase a total of 10,409,407 shares of our common stock (the “Warrants”) to the beneficiaries of such liquidating trusts and (ii) the issuance of 10,409,407 shares of our common stock upon exercise of the Warrants (the “Warrant Shares”) (collectively, the “Acquisition and Registration”), upon review, we have concluded that the Acquisition and Registration may, in substance, be an attempt to complete a business combination transaction via a registered offering when it was already started without registration and that the issuance of the Shares, Warrants and Warrant Shares should in fact have been undertaken initially as a registered offering. Therefore, we may be subject to potential liability with respect to the Acquisition and Registration.

In connection with the acquisition of the assets of Mobilestream Oil, Inc., we issued, in addition to the Shares and Warrants mentioned in the preceding paragraph, 35,236,188 shares of Preferred Stock A and warrants to purchase an additional 23,500,000 shares of our common stock (which warrants were subsequently canceled). These shares and warrants were issued directly to Mr. Frank Pringle as accommodations to Mr. Pringle (the “Accommodations”) and were not held in a liquidating trust as required by the terms of the Mobilestream Oil, Inc. acquisition documents. The basis for the Accommodations is unclear. Further, it is unclear what consideration the Company received from Mr. Pringle for the Accommodations. Therefore, we may be subject to potential liability with respect to such issuances.

We determined the number of Warrants to issue in connection with the Carbon Recovery and Mobilestream Acquisitions based upon the number of warrants to purchase the common stock of Carbon Recovery Corporation and Mobilestream Oil, Inc. then outstanding, respectively (the “Carbon Recovery and Mobilestream Warrants”). While we have characterized the Carbon Recovery and Mobilestream Acquisitions as asset acquisitions, basing the determination of the number of Warrants to issue on the number of Carbon Recovery and Mobilestream Warrants then outstanding may weaken our ability to maintain our characterization of the Carbon Recovery and Mobilestream Acquisitions as asset acquisitions and may therefore subject us to potential liability. Additionally, the 35,236,188 shares of Preferred Stock A and warrants to purchase an additional 23,500,000 shares of our common stock issued directly to Mr. Pringle in connection with the acquisition of the assets of Mobilestream Oil, Inc. may additionally weaken our characterization of the Mobilestream Acquisition as an asset acquisition and may subject us to additional potential liability. Further, in connection with the acquisition of the assets of Carbon Recovery Corporation, we issued, in addition to the Shares and Warrants mentioned in the second preceding paragraph, 37,500,000 shares of our common stock directly to Mobilestream Oil, Inc. (representing Mobilestream Oil Inc.’s ownership of the identical number of shares of Carbon Recovery Corporation common stock), which direct share issuance may additionally weaken our characterization of the Carbon Recovery Acquisition as an asset acquisition and may subject us to additional potential liability.

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Though the matters disclosed in the preceding paragraphs may subject us to potential legal claims, a potential claimant would be required to prove that such claimant was damaged as a result of such matters. Further, in the event that we are required to make payments with respect to any such claims, we may seek indemnification from appropriate parties for any such payments.

As of the date of this prospectus, we are not party to any legal proceedings related to the matters mentioned in the preceding paragraphs and there are no such legal proceedings known to us to be threatened or contemplated against us

We May Face Potential Liability With Respect to a Certain Past Stock Issuance.

On March 20, 2007, we filed a Form S-8 registering under the Securities Act 2,500,000 shares of our common stock reserved for issuance under our 2007 Employees Compensation and Stock Option Plan. Pursuant to the requirements of Form S-8, because we had previously been a shell company, we were required to have filed current Form 10 information, including audited financial statements, prior to filing the Form S-8. However, at the time of the filing we had not yet filed audited financial statements and were therefore ineligible to use Form S-8. On April 20, 2007, we issued to Mr. Pringle 250,000 shares of our common stock as registered pursuant to the March 20, 2007 Form S-8, which shares were eventually transferred by Mr. Pringle, placed into "street name" and, to the Company's belief, sold into the public markets on May 10, 2007. Because we were ineligible to use Form S-8 at the time of its filing, the shares were not in fact properly registered under the Securities Act and should have been issued as restricted securities which could not be transferred without an exemption from registration, unless later registered. Consequently, we may face potential liability for securities laws violations with respect to the 250,000 share issuance to Mr. Pringle on April 20, 2007 and the subsequent transfer and sale of those shares. However, a potential claimant would be required to prove that such claimant was damaged as a result of such share issuance, transfer and sale. Further, in the event that we are required to make payments with respect to any such claim, we may seek indemnification from appropriate parties for any such payments. As of the date of this prospectus, we are not party to any legal proceedings related to such share issuance, transfer and sale and there are no such legal proceedings known to us to be threatened or contemplated against us.

Our Inability to Determine Certain Information Indicates a Deficiency in our Historical Disclosure Controls and Procedures.

As a result of significant changes in our executive management since the closings of the Carbon Recovery and Mobilestream Acquisitions, including the fact that Mr. Pringle is no longer affiliated with us, we are unable to determine with certainty the facts surrounding the accommodations to Mr. Pringle in connection with the acquisition of the assets of Mobilestream Oil, Inc. referred to above without unreasonable effort or expense. Our inability to determine the bases of these transactions indicates a deficiency in our historical disclosure controls and procedures and may present material risks to investors in the Company.

Funds May Not be Available Under Reserve Equity Financing Agreement.

Pursuant to a Reserve Equity Financing Agreement entered into on November 24, 2009 with AGS Capital Group, LLC ("AGS"), we agreed to issue and sell to AGS, and AGS agreed to purchase from us, from time to time up to $10,000,000 worth of our Common Stock, subject to certain conditions and limitations. See "DESCRIPTION OF BUSINESS – Recent Developments". However, there is no guarantee that we will be able to meet the conditions under the Reserve Equity Financing Agreement in order to draw down any portion of the amounts available under the Reserve Equity Financing Agreement. Because we intend to rely on the Reserve Equity Financing Agreement for our near-term funding needs, in the event of an inability to draw down amounts under the Reserve Equity Financing Agreement, our financial condition and results of operations could be materially and adversely affected unless we locate an alternate source of funding.

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We Have A Limited Operating History, And Investors May Not Have A Sufficient History On Which To Base An Investment Decision.

Although we were incorporated in 2000, we acquired our operating assets for our current business only in September and December 2006 and are a development stage company. Accordingly, we have a limited operating history upon which investors may evaluate our prospects for success. Investors must consider the risks and difficulties frequently encountered by early stage companies. Such risks include, without limitation, the following:

- amount and timing of operating costs and capital expenditures relating to expansion of our business, operations, and infrastructure;
- time line to develop, test, manufacture, market and sell our products;
- negotiation and implementation of strategic alliances or similar arrangements with companies with sufficient resources to support our research and manufacturing efforts;
- need for acceptance of products;
- ability to anticipate and adapt to a competitive market and rapid technological developments;
- dependence upon key personnel.

We cannot be certain our strategy will be successful or that we will successfully address these risks. In the event that we do not successfully address these risks, our business, prospects, financial condition, and results of operations could be materially and adversely affected.

We Are A Development Stage Company With A History Of Losses And Can Provide No Assurance Of Our Future Operating Results.

We are a development stage company with no revenues from our contemplated principal business activity. We have incurred net losses and negative cash flows since inception and expect such losses and negative cash flows to continue in the foreseeable future. We currently have no product revenues, and may not succeed in developing or commercializing any products which will generate product or licensing revenues. We do not know when we will have any products on the market, and each such product will be manufactured only upon receipt of an order. In addition, the sale completion for each of our machines requires a process of testing, during which our products could fail. We may not be able to enter into agreements with one or more companies experienced in the manufacturing and marketing of complex equipment machines and, to the extent that we are unable to do so, we will not be able to market our products. Eventual profitability will depend on our success in developing, manufacturing, and marketing our products. We may never achieve profitability.

Substantial Doubt About Our Ability To Continue As A Going Concern.

Our independent certified public accountant has stated in their report included in this filing that we have suffered recurring losses and that we currently do not have any significant revenue to fund future operations which raises substantial doubt about our ability to continue as a going concern.

We have incurred substantial net losses in the amount of $15,495,349 and $6,578,311 for the years ended December 31, 2008 and 2007, respectively, and $29,770,274 for the cumulative period from July 19, 2002 (inception) to December 31, 2008. We also had negative cash flows from operations in the amount of $5,175,036, $2,689,445, and $12,544,493 for the years ended December 31, 2008 and 2007 respectively, and for the cumulative period from July 19, 2002 (inception) to December 31, 2008. Additionally, we have not had significant revenue from operations since inception.

Based on our current operating plan, the total cash expenditures needed for the next twelve months are expected to exceed our cash of approximately $134,000 as of September 30, 2009. Our assessment of our cash needs may be affected by changes in our assumptions relating to our technological and engineering requirements in the development of our products as well as payroll, staff and administrative related matters.

We have completed a prototype fixed frequency microwave reactor system, named “Patriot-1”, which we have used to demonstrate the decomposition of tires into diesel oil, combustible gas and carbon char. During May 4-8, 2009 and June 8-11, 2009, we provided public demonstrations of the Patriot-1 to prospects, partners and dignitaries at our outside contract manufacturer’s facility (Ingersoll Production Systems) located in Rockford, Illinois. We are currently working with the “Patriot 2”, our next generation prototype containing additional features and improved efficiency. We have received a conditional order for one machine and are currently in preliminary negotiations with prospective customers for additional orders of our equipment. 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.

Our plans to address the expected cash shortfall are dependent upon our ability to raise capital or to secure significant sales orders of our system as a source of revenue. There is no guarantee that we will be able to raise enough capital or generate revenues to sustain our operations thus raising substantial doubt about our ability to continue as a going concern.

We can provide no assurance that additional funding will be available on a timely basis, on terms acceptable to us, or at all. In the event that we are unable to obtain such financing, we will not be able to fully develop and commercialize our technology.

Our future capital requirements will depend upon many factors, including:

- effects of commercialization activities and facility expansions if and as required;
- our ability to establish collaborative relationships;
- increases in our management, research, sales and marketing personnel;
- competing technological and market developments;
- continued progress in our research and development programs; and
- patent prosecutions.

If we cannot secure adequate financing when needed, we may be required to delay, scale back or eliminate one or more of our research and development programs or to enter into license or other arrangements with third parties to commercialize products or technologies that we would otherwise seek to develop and commercialize ourselves. In such event, our business, prospects, financial condition, and results of operations may be adversely affected as we may be required to scale-back, eliminate, or delay development efforts or product introductions or enter into royalty, sales or other agreements with third parties in order to commercialize our products.

We Can Provide No Assurance Of The Successful And Timely Development Of Our Products.

Our products are at various stages of research and development. Further development and extensive testing will be required to determine their technical feasibility and commercial viability. Our success will depend on our ability to achieve scientific and technological advances and to translate such advances into reliable, commercially competitive products on a timely basis. Products that we have developed and may in the future develop are not likely to be commercially available for some time because of the time and expense in building an individual machine. The proposed development schedules for our products may be affected by a variety of factors, including technological difficulties, proprietary technology of others and changes in governmental regulation, many of which will not be within our control. Any delay in the development, introduction, or marketing of our products could result either in such products being marketed at a time when their cost and performance characteristics would not be competitive in the marketplace or in the shortening of their commercial lives. In light of the long-term nature of our projects, the technology involved, and the other factors described elsewhere in "Risk Factors", there can be no assurance that we will be able to complete successfully the development or marketing of any new products.

We Lack The Resources And Experience Needed To Manufacture Our Products.

We currently lack the resources and experience needed to manufacture any of our products. Our ability to conduct trials and commercialize our products will depend, in part, on our ability to manufacture our products, either directly or, as currently intended, through contract manufacturers, at a competitive cost and in accordance with current good manufacturing practices and safety, environmental, health and other regulatory requirements. We anticipate that we will be required to depend on contract manufacturers or collaborative partners for the manufacturing of our products during the testing phases and intend to use contract manufacturers to produce any products we may eventually commercialize. We have identified and entered into an arrangement with one such manufacturer thus far. If we are not able to obtain or maintain contract manufacturing on commercially reasonable terms, we may not be able to conduct or complete trials of our machines or commercialize our products. We have identified multiple suppliers for most if not all of the components of our machines, although we can provide no assurance that these components will be available when needed on commercially reasonable terms.

In order to succeed, we ultimately will be required to either develop such manufacturing capabilities or to outsource manufacturing on a long-term basis to third parties. We can provide no assurance that third parties will be interested in manufacturing our products on a timely basis, on commercially reasonable terms, or at all. If we are unable to establish manufacturing capabilities either by developing our own organization or by entering into agreements with others, we may be unable to commercialize our products, which would have a material adverse effect upon our business, prospects, financial condition, and results of operations. Further, in the event that we are required to outsource these functions on disadvantageous terms, we may be required to pay a relatively large portion or our net revenue to these organizations, which would have a material adverse effect upon our business, prospects, financial condition, and results of operations.

In The Future, We May Rely Upon Collaborative Agreements With Large Industrial And Manufacturing Companies.

In the future, we may rely heavily on collaborative agreements with large industrial and manufacturing companies, governments, or other parties for our revenues. Our inability to obtain any one or more of these agreements, on commercially reasonable terms, or at all, or to circumvent the need for any such agreement, could cause significant delays and cost increases and materially affect our ability to develop and commercialize our products.

We Have Limited Sales, Marketing, And Distribution Capabilities. We Will Be Required To Either Develop Such Capabilities Or To Outsource These Activities To Third Parties.

We currently have limited sales, marketing and distribution capabilities. In order to succeed, we ultimately will be required to either develop such capabilities or to outsource these activities to third parties. We can provide no assurance that third parties will be interested in acting as our outsourced sales, marketing, and distribution arms on a timely basis, on commercially reasonable terms, or at all. If we are unable to establish sales, marketing, or distribution capabilities either by developing our own organization or by entering into agreements with others, we may be unable to successfully sell any products that we are able to begin to commercialize, which would have a material adverse effect upon our business, prospects, financial condition, and results of operations. Further, in the event that we are required to outsource these functions on disadvantageous terms, we may be required to pay a relatively large portion of our net revenue to these organizations, which would have a material adverse effect upon our business, prospects, financial condition, and results of operations.

We Rely Upon Our Patent Applications To Protect Our Technology. We May Be Unable To Protect Our Intellectual Property Rights, And We May Be Liable For Infringing The Intellectual Property Rights Of Others.

Our ability to compete effectively will depend on our ability to maintain the proprietary nature of our technologies. We currently hold several pending patent applications in the United States and corresponding patent applications filed in certain other countries covering the proposed use of microwaves for the recovery of hydrocarbons and fossil fuels. Further, we intend to rely on a combination of trade secrets and non-disclosure, and other contractual agreements and technical measures to protect our rights in our technology. We intend to depend upon confidentiality agreements with our officers, directors, employees, consultants, and subcontractors, as well as collaborative partners, to maintain the proprietary nature of our technology. These measures may not afford us sufficient or complete protection, and others may independently develop technology similar to ours, otherwise avoid our confidentiality agreements, or produce patents that would materially and adversely affect our business, prospects, financial condition, and results of operations. We believe that our technology is not subject to any infringement actions based upon the patents of any third parties; however, our technology may in the future be found to infringe upon the rights of others. Others may assert infringement claims against us, and if we should be found to infringe upon their patents, or otherwise impermissibly utilize their intellectual property, our ability to continue to use our technology or the licensed technology could be materially restricted or prohibited. If this event occurs, we may be required to obtain licenses from the holders of this intellectual property, enter into royalty agreements, or redesign our products so as not to utilize this intellectual property, each of which may prove to be uneconomical or otherwise impossible. Licenses or royalty agreements required in order for us to use this technology may not be available on terms acceptable to us, or at all. These claims could result in litigation, which could materially adversely affect our business, prospects, financial condition, and results of operations.

The patent position of petroleum extraction and decomposition technology firms is generally uncertain and involves complex legal and factual questions. We do not know whether any of our current or future patent applications will result in the issuance of any patents. Even issued patents may be challenged, invalidated or circumvented. Patents may not provide a competitive advantage or afford protection against competitors with similar technology. Competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to processes competitive with ours. In addition, laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States of America or Canada.

Patent litigation may occur in our industry and we cannot predict how this will affect our efforts to form strategic alliances, conduct testing or manufacture and market any products under development. If challenged, our pending patents may not be held valid. We could also become involved in interference proceedings in connection with one or more of our patent applications to determine priority of invention. If we become involved in any litigation, interference or other administrative proceedings, we will likely incur substantial expenses and the efforts of our technical and management personnel will be significantly diverted. In addition, an adverse determination could subject us to significant liabilities or require us to seek licenses that may not be available on favorable terms, if at all. We may be restricted or prevented from manufacturing and selling our products in the event of an adverse determination in a judicial or administrative proceeding or if we fail to obtain necessary licenses.

Our commercial success will also depend significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. Patent applications are, in many cases, maintained in secrecy until patents are issued. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications are filed. In the event of infringement or violation of another party's patent, we may be prevented from pursuing product development or commercialization. See "Business--Intellectual Property".

We Can Provide No Assurance That Our Products Will Obtain Regulatory Approvals At Or Prior To The Time Of Installation.

The installation of any of our products at a customer site may require the prior approval of various federal and state regulatory authorities governing such areas as the environment, hazardous waste, health and worker safety. We cannot predict with any certainty the amount of time necessary to obtain such approvals and whether any such approvals will ultimately be granted. Operational trials of our built to scale machines as opposed to laboratory scale models may reveal that one or more of our products are ineffective or unsafe, in which event further development of such products could be seriously delayed or terminated. Delays in obtaining any necessary regulatory approvals of any proposed product and failure to receive such approvals would have an adverse effect on the product's potential commercial success and on our business, prospects, financial condition, and results of operations. In addition, it is possible that a product may be found to be ineffective or unsafe due to conditions or facts which arise after development has been completed and regulatory approvals have been obtained. In this event we may be required to withdraw such product from the market. See "Business - Regulatory Issues".

We Depend Upon Our Senior Management And Skilled Personnel And Their Loss Or Unavailability Could Put Us At A Competitive Disadvantage.

We currently depend upon the efforts and abilities of our senior executives, as well as the services of other key personnel. The loss or unavailability of the services of certain of these individuals for any significant period of time could have a material adverse effect on our business, prospects, financial condition, and results of operations. We have no "Key Man" insurance policies on any of our senior executives. In addition, recruiting and retaining qualified engineering and scientific personnel to perform future research and development work will be critical to our success. Our ability to attract and retain qualified personnel may be limited. Our inability to attract and retain qualified skilled personnel would have a material adverse effect on our business, prospects, financial condition, and results of operations.

Limitation Of Liability And Indemnification Of Officers And Directors.

Our officers and directors are required to exercise good faith and high integrity in our management affairs. Our Certificate of Incorporation provides, however, that our officers and directors shall have no liability to our stockholders for losses sustained or liabilities incurred which arise from any transaction in their respective managerial capacities unless they violated their duty of loyalty, did not act in good faith, engaged in intentional misconduct or knowingly violated the law, approved an improper dividend or stock repurchase, or derived an improper benefit from the transaction. Our articles and bylaws also provide for the indemnification by us of the officers and directors against any losses or liabilities they may incur as a result of the manner in which they operate our business or conduct the internal affairs, provided that in connection with these activities they act in good faith and in a manner that they reasonably believe to be in, or not opposed to, our best interests, and their conduct does not constitute gross negligence, misconduct or breach of fiduciary obligations.

Certificate of Incorporation Grants the Board of Directors the Power to Designate and Issue Additional Shares of Common and/or Preferred Stock.

Our certificate of incorporation grants our Board of Directors authority to, without any action by our stockholders, designate and issue, from our authorized capital, shares in such classes or series (including classes or series of common stock and/or preferred stock) as it deems appropriate and establish the rights, preferences, and privileges of such shares, including dividends, liquidation and voting rights. The rights of holders of classes or series of common stock or preferred stock that may be issued could be superior to the rights of the common stock offered hereby. Our board of directors' ability to designate and issue shares could impede or deter an unsolicited tender offer or takeover proposal. Further, the issuance of additional shares having preferential rights could adversely affect other rights appurtenant to the shares of common stock offered hereby. Any such issuances will dilute the percentage of ownership interest of our stockholders and may dilute our book value.

Risks Related to Our Common Stock

Issuance of Shares Pursuant to Reserve Equity Financing Agreement May Cause Downward Pressure on Our Stock Price.

Pursuant to the Reserve Equity Financing Agreement with AGS Capital Group, LLC (see "Description of Business – Recent Developments"), there is no contractual limit to the number of shares of Common Stock that the Company may be required to issue to obtain the maximum amount of funds under the Reserve Equity Financing Agreement as that number is dependent upon the price of the Company's Common Stock, which varies from day to day. If the Company draws down amounts under the Reserve Equity Financing Agreement when the price of the Company's Common Stock is decreasing, the Company will need to issue more shares to raise the same amount than if the price was higher. This could cause downward pressure on the price of the Company's Common Stock.

In Recent Years, The Stock Market In General Has Experienced Periodic Price And Volume Fluctuations. This Volatility Has Had A Significant Effect On The Market Price Of Securities Issued By Many Companies For Reasons Often Unrelated To Their Operating Performance. These Broad Market Fluctuations May Adversely Affect Our Stock Price, Regardless Of Our Operating Results. The Market Price Of Our Common Stock May Fluctuate Significantly, And It May Be Difficult To Resell Your Shares Of Common Stock Or Warrants When You Want Or At Prices You Find Attractive.

The price of our common stock is quoted on the Pink Sheets and constantly changes. We expect that the market price of the common stock will continue to fluctuate. These fluctuations may result from a variety of factors, many of which are beyond our control. These factors include:

- quarterly variations in our financial results;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to our business, prospects, financial condition, and results of operations;
- announcements by us or our competitors of material developments;
- the operating and securities price performance of other companies that investors believe are comparable to us;
- future sales of our equity or equity-related securities;
- changes in general conditions in our industry and in the economy, the financial markets and the domestic or international political situation;
- departures of key personnel; and
- regulatory and intellectual property considerations.

As a result of these fluctuations, you may experience difficulty selling shares of our common stock or warrants when desired or at acceptable prices.

Future Sales Of Common Stock Or The Issuance Of Securities Senior To The Common Stock Or Convertible Into, Or Exchangeable Or Exercisable For, Common Stock Could Materially Adversely Affect The Trading Price Of The Common Stock, And Our Ability To Raise Funds In New Equity Offerings.

Future sales of substantial amounts of our common stock or other equity-related securities in the public market or privately, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or other equity-related securities. We can make no prediction as to the effect, if any, that future sales of shares of common stock or equity-related securities, or the availability of shares of common stock for future sale, will have on the trading price of our common stock.

Resale of Shares Offered by this Prospectus Could Adversely Affect the Market Price of Our Common Stock and Our Ability to Raise Additional Equity Capital.

The sale, or availability for sale, of common stock in the public market pursuant to this prospectus may adversely affect the prevailing market price of our common stock and may impair our ability to raise additional capital by selling equity or equity-linked securities. This prospectus covers the resale of a significant number of shares of our common stock. In fact, at the time that the registration statement that includes this prospectus is declared effective, up to 32,743,628 shares of our common stock will be made publicly available for resale. The resale of a substantial number of shares of our common stock in the public market pursuant to this offering, and afterwards, could adversely affect the market price for our common stock and make it more difficult for you to sell our shares at times and prices that you feel are appropriate. Furthermore, we expect that, because there is a large number of shares offered hereby, the selling stockholders will continue to offer shares covered by this prospectus for a significant period of time, the precise duration of which we cannot predict. Accordingly, the adverse market and price pressures resulting from this offering may continue for an extended period of time and continued negative pressure on the market price of our common stock could have a material adverse effect on our ability to raise additional equity capital.

Trading Market for Common Stock Has Limited Liquidity.

Although sales of our stock are reported on the Pink Sheets under the symbol “GBRC”, the market for our common stock has limited liquidity.

Limited Market Due To Penny Stock.

Our stock differs from many stocks, in that it is considered a penny stock. The Securities and Exchange Commission has adopted a number of rules to regulate penny stocks. These rules include, but are not limited to, Rules 3a5l-l, 15g-1, 15g-2, 15g-3, 15g-4, 15g-5, 15g-6 and 15g-7 under the Securities and Exchange Act of 1934, as amended. Because our securities probably constitute penny stock within the meaning of the rules, the rules would apply to our securities and us. The rules may further affect the ability of owners of our stock to sell their securities in any market that may develop for them. There may be a limited market for penny stocks, due to the regulatory burdens on broker-dealers. The market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

Investors should be aware that, according to the Securities and Exchange Commission Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. These patterns include: control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; “boiler room” practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons; excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

Furthermore, the penny stock designation may adversely affect the development of any public market for our shares of common stock or, if such a market develops, its continuation. Broker-dealers are required to personally determine whether an investment in penny stock is suitable for customers. Penny stocks are securities (i) with a price of less than five dollars per share; (ii) that are not traded on a "recognized" national exchange; (iii) whose prices are not quoted on the NASDAQ automated quotation system (NASDAQ-listed stocks must still meet requirement (i) above); and (iv) of an issuer with net tangible assets less than $2,000,000 (if the issuer has been in continuous operation for at least three years) or $5,000,000 (if in continuous operation for less than three years), or with average annual revenues of less than $6,000,000 for the last three years. Section 15(g) of the Exchange Act, and Rule 15g-2 of the Commission require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor's account. Potential investors in our common stock are urged to obtain and read such disclosure carefully before purchasing any shares that are deemed to be penny stock. Rule 15g-9 of the Commission requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor.

This procedure requires the broker-dealer to (i) obtain from the investor information concerning his financial situation, investment experience and investment objectives; (ii) reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has sufficient knowledge and experience as to be reasonably capable of evaluating the risks of penny stock transactions; (iii) provide the investor with a written statement setting forth the basis on which the broker-dealer made the determination in (ii) above; and (iv) receive a signed and dated copy of such statement from the investor, confirming that it accurately reflects the investor's financial situation, investment experience and investment objectives. Compliance with these requirements may make it more difficult for the Company's stockholders to resell their shares to third parties or to otherwise dispose of them.

The Trading Price Of Our Common Stock May Decrease Due To Factors Beyond Our Control.

The trading price of our common stock will be subject to significant fluctuations in response to numerous factors, including:

- Variations in anticipated or actual results of operations;
- Announcements of new products or technological innovations by us or our competitors;
- Changes in earnings estimates of operational results by analysts;
- Results of product demonstrations;
- Inability of market makers to combat short positions on the stock;
- Inability of the market to absorb large blocks of stock sold into the market;
- Comments about us or our markets posted on the Internet.

Moreover, the stock market from time to time has experienced extreme price and volume fluctuations, which have particularly affected the market prices for emerging growth companies and which often have been unrelated to the operating performance of the companies. These broad market fluctuations may adversely affect the market price of our common stock. If our stockholders sell substantial amounts of their common stock in the public market, the price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity related securities in the future at a price we deem appropriate.

We Pay No Dividends.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any earnings for funding growth however these plans may change depending upon capital raising requirements.

Sarbanes-Oxley and Federal Securities Laws Reporting Requirements Can Be Expensive.

As a public reporting company, we are subject to the Sarbanes-Oxley Act of 2002, as well as the information and reporting requirements of the Securities Exchange Act of 1934, as amended, and other federal securities laws. The costs of compliance with the Sarbanes-Oxley Act and of preparing and filing annual and quarterly reports, proxy statements and other information with the SEC, and furnishing audited reports to shareholders, are significant and may increase in the future.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements used in this Prospectus, in filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder communications, or made orally with the approval of an authorized executive officer of the Company that utilize the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions speaking to anticipated actions, results or projections in the future speak only as of the date made, are based on certain assumptions and expectations which may or may not be valid or actually occur, and which involve various risks and uncertainties. The Company cautions readers not to place undue reliance on any such statements and that the Company's actual results for future periods could differ materially from those anticipated or projected. For a discussion of some of the factors that may cause actual results to differ materially from those suggested by the forward-looking statements, please read carefully the information under "RISK FACTORS" beginning on page 5.

Unless otherwise required by applicable law, the Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

DESCRIPTION OF BUSINESS

Introduction

The business plan of Global Resource Corporation (“GRC”, “Global”, “Global Resource”, the “Company”, “we”, “us” or “our 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 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 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, licensing or sale of the 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. During May 2009 and June 2009, we completed two demonstrations of the Patriot-1 which we believe were successful. We have no manufacturing capability of our own. Accordingly, we entered into an agreement with Ingersoll Production Systems, a manufacturing facility in Rockford, Illinois, for research on and the manufacture of our machines, where the Patriot-1 was completed. The prototype is being tested initially to apply our microwave Technology to the decomposition of tires as waste and to retrieve commercially viable components therefrom in the form of carbon, liquid hydrocarbons which can be converted to electricity, and gas. 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 to show customers that the process works as applied to a specific feedstock and is viable for commercialization. We are currently working with the Patriot 2, our next generation prototype containing additional features and improved efficiency.

We do not 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 evaluates 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 generating revenue from licensing agreements and have taken a conditional order for one development prototype machine related to one of those license agreements. We are also currently conducting preliminary negotiations with additional prospective purchasers of machines and have entered into an exclusive marketing agreement with one company for a designated geographic area outside the United States. 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.

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 1000 Atrium Way, Suite 100, Mount Laurel, NJ 08054. 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”.

Recent Developments

The following recent developments occurred after December 31, 2008:

Appointment of New Independent Accountants

On February 2, 2009, we dismissed Bagell, Josephs, Levine & Company, L.L.C. as the Company's independent registered public accounting firm. On February 18, 2009, we appointed Rothstein Kass & Company, P.C. as the Company's independent registered public accounting firm.

Restatement of Financial Statements

On March 31, 2009, the Company's Audit Committee concluded, upon the advice of management, that its previously issued consolidated financial statements contained in the Company's annual report on Form 10-KSB for the years ended December 31, 2007 and 2006 and its quarterly reports on Form 10-QSB for the periods ended March 31, June 30 and September 30, 2007 and Form 10-Q for the periods ended March 31, June 30 and September 30, 2008 will require restatement and should no longer be relied upon. The Company's decision to restate was made in connection with comment letters received from the Staff of the Division of Corporation Finance of the U.S. Securities and Exchange Commission (the “Staff”) in connection with the Company's filings of Registration Statements on Form S-1, including amendments thereto, in 2008. The issues raised by the Staff included the presentation of certain transactions reported in the financial statements for the years ended December 31, 2006 and 2007. The Audit Committee discussed with its independent registered public accounting firm, Rothstein Kass & Company, P.C. ("Rothstein Kass"), these matters and concluded that the Company should restate its consolidated financial statements for years ended December 31, 2007 and 2006 and have Rothstein Kass reaudit its historical financial statements and, accordingly, the Company retained Rothstein Kass to conduct such reaudits.

The results of such reaudits and restatements are reflected in the Financial Statements contained in this Prospectus. The Company also intends to amend and restate its consolidated financial statements for all prior quarters for 2006, 2007 and 2008 as soon as practicable and to file amendments to all applicable previously filed quarterly and annual reports file remaining restatements as soon as practicable.

The Company believes that the restatements and reclassifications made and intended to be made have not and will not materially impact the ability of the Company to implement its business plan on a going-forward basis nor materially impact its cash position, except for the payment of additional auditing and legal fees incurred in connection with the reaudits, restatements and reclassifications, as the restatements and reclassifications relate solely to non-cash charges.

Retirement of Chief Operating Officer

On April 17, 2009, Wayne J. Koehl retired as an employee with the Company from the position of Chief Operating Officer.

Joint Development Agreement

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, the JDA Parties agreed to use reasonable efforts to collaborate in order 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.

In consideration of the time, effort and expense that Schlumberger will expend in connection with the activities contemplated by the JDA, and in exchange for the payments to be made by Schlumberger to GHO described in the next paragraph, the Company agreed not to engage in the research, development, manufacturing, marketing or exploitation of Products and Services during the term of the JDA and for two years thereafter, except pursuant to the JDA.

Pursuant to the JDA, Schlumberger agreed to pay $300,000 to GHO within thirty days of the execution of the JDA and another $300,000 on the first anniversary of the JDA. These moneys are non-refundable. The first $300,000 was received on May 22, 2009. As of September 30, 2009, the Company recognized $90,000 of it as revenue, with the remaining $210,000 remaining on the accompanying condensed consolidated balance sheet as deferred revenue. The Company recognizes revenue in accordance with Securities and Exchange Commission guidance Staff Accounting Bulletin 101 "Revenue Recognition in Financial Statements" (SAB 101) 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.

Pursuant to the terms of the JDA, each JDA Party granted to the other JDA Party an exclusive, worldwide, royalty-free license to use such JDA Party's intellectual property applicable to Surface Upgrading in Heavy Oil oilfield operations during the term of the JDA.

Pursuant to the JDA, the collaboration between the JDA Parties is to be implemented in three distinct phases as follows:

Phase I - Research and Development. During this Phase, the concept of the Products and Services will be designed and developed, and the efficacy thereof will be tested. Phase I continues until the earlier of (i) the date on which the JDA Parties agree that the Phase I objectives have been satisfied or (ii) the second anniversary of the JDA, subject to extension at the option of either JDA Party until the third anniversary of the JDA. During this Phase, each JDA Party shall pay its own expenditures incurred pursuant to the JDA.

Phase II - Prototype. During this Phase, the JDA Parties will design and test a prototype device or system to deliver Products and Services as a prelude to commercial exploitation of Products and Services. Phase II commences immediately upon agreement of the JDA Parties that the Phase I objectives have been timely satisfied (though Schlumberger has the option to terminate the JDA upon completion of Phase I by providing notice to GHO within thirty days of such completion) and continues until the earlier of (i) the date on which the JDA Parties agree that the

Phase II objectives have been satisfied or (ii) the second anniversary of the date of commencement of Phase II, subject to extension at the option of either JDA Party until the third anniversary of commencement of Phase II. During this Phase, Schlumberger shall pay for all qualifying expenditures incurred by the JDA Parties pursuant to the JDA, except that if this Phase is extended at the option of GHO, during such extension GHO shall pay all such expenditures. Within thirty days of the commencement of Phase II, Schlumberger shall pay to GHO $1,000,000 as a Non-Recurring Engineering Charge.

Phase III – Joint Venture. During this Phase, the JDA Parties will enter into a joint venture for the commercial exploitation of Products and Services, which joint venture shall include provisions set forth in the JDA and such terms as mutually agreed upon by the JDA Parties. Phase III commences if, and when, the Phase II objectives have been timely satisfied. However, Schlumberger has the option to terminate the JDA upon completion of Phase II by providing notice to GHO within thirty days of such completion; GHO does not have such an option. Pursuant to the terms of the JDA, the Phase III joint venture will be owned jointly by the JDA Parties in proportion to the amount of qualifying expenditures each JDA Party spent during Phases I and II, but in no event will GHO own more than 40% of the joint venture. If GHO's proportion of qualifying expenditures is less than 40% of total qualifying expenditures, then GHO shall have the option of acquiring an additional interest in the Joint Venture so that its interest in the joint venture will be 40% by paying to Schlumberger an amount such that GHO's qualifying expenditures (including such payment) reaches 40% of total qualifying expenditures (including such payment). If GHO's proportion of total qualifying expenditures is more than 40%, then Schlumberger shall pay to GHO an amount such that Schlumberger's qualifying expenditures (including such payment) as a proportion of total qualifying expenditures (including such payment) is reduced to 60%.

The costs being incurred by GHO for the research and development to performed by it under the JDA are being funded by the Company out of its working capital. The Company's current expectation is that such costs will total approximately $600,000 during Phase I.

Demonstrations of Prototype

The Company has completed two demonstrations of our commercial prototype machine with the first demonstration taking place May 4-8, 2009 and the second demonstration taking place June 8-11, 2009. Both 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) in Rockford, Illinois. 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 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. The Company believes the demonstrations were successful.

Separation of Board Chairman and Chief Executive Officer Roles

On May 28, 2009, the Board of Directors of the Company voted to separate the position of Chairman of the Board from that of Chief Executive Officer of the Company in order to strengthen both the corporate governance and the management team of the Company, enabling the Chairman to better focus on corporate governance and the Chief Executive Officer to better focus on the rapid advancement of the Company's technology applications and product development and commercialization. Consequently, the Board appointed Peter A. Worthington, a director of the Company, to the position of Interim Chairman of the Board of Directors until a permanent, independent Chairman of the Board is appointed. Mr. Worthington resigned from the Board of Directors, including from the position of Interim Chairman, on November 11, 2009.

Termination of Former Chief Executive Officer and Severance Agreement

Effective on July 6, 2009, the Company terminated the employment of Eric Swain, the then Chief Executive Officer of the Company, and removed him from the Company's Board of Directors. Effective upon Mr. Swain's removal, the Board of Directors appointed Peter A. Worthington to the position of Chief Executive Officer (from which Mr. Worthington resigned on November 11, 2009). On October 2, 2009, the Company entered into a Settlement Agreement and Release with Mr. Swain (the "Swain Severance Agreement"). The Swain Severance Agreement replaced the prior terms of employment that the Company had with Mr. Swain. Pursuant to the terms of the Swain Severance Agreement, in material part, (a) the Company and Mr. Swain agreed to mutual general releases; (b) Mr. Swain agreed, for a two year period, not to compete in the business of microwave resource recovery technology and not to solicit the Company's employees or customers; (c) of the options to purchase 5,000,000 shares of the Company's common stock at an exercise price of $1.18 per share previously granted to Mr. Swain, Mr. Swain retained 1,000,000 that previously vested, 1,000,000 that vested on December 1, 2009 and 1,000,000 that will vest on December 1, 2010, the remaining 2,000,000 being cancelled; (d) the Company agreed, subject to Mr. Swain's continued compliance with the terms of the Swain Settlement Agreement, (i) to pay to Mr. Swain certain bonuses, if earned, payable to him under the prior terms of his employment through January 6, 2011, and (ii) to issue to Mr. Swain an aggregate of 2,250,000 shares of its common stock on certain dates starting on October 6, 2009 and ending on October 6, 2011, of which 1,800,000 shares are to be shares registered under the Securities Act of 1933 pursuant to an effective registration statement on Form S-8 filed on January 29, 2008 ("S-8 Shares"); (e) Mr. Swain agreed not to sell more than 35,000 S-8 shares during any calendar week; (f) the Company will continue to provide full health insurance benefits to Mr. Swain through July 5, 2010; and (g) the Company transferred to Mr. Swain the title of ownership of the Company's car then in Mr. Swain's possession. In compliance with the terms of the Swain Severance Agreement, on October 5, 2009, the Company issued to Mr. Swain 450,000 restricted shares of its common stock. In September of 2009, the Company recorded a severance expense of $3,654,714 for the payments to be paid by the Company to Mr. Swain pursuant to the Swain Settlement Agreement. The payments were valued using the present value of expected future outflows.

Notice of Allowance

We currently have 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 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.

Pringle Severance Agreement Amendment

On November 12, 2008, the Company entered into a severance agreement with Frank Pringle and 888 Corporation, a New Jersey corporation owned directly or indirectly by Frank Pringle (the "Pringle Severance Agreement"). Pursuant to the Pringle Severance Agreement, among other things, Mr. Pringle agreed to restrict the amount of shares of the Company's common stock that he or his affiliates may sell to the following amounts: an aggregate of 400,000 shares of the Company's common stock in the three month period beginning February 1, 2009, an aggregate of 300,000 shares of the Company's common stock in the three month period beginning May 1, 2009 and an aggregate of 250,000 shares of Company's common stock in any three month period thereafter beginning with the three month period beginning August 1, 2009. The foregoing restrictions remain in place until Mr. Pringle has less than 5,000,000 shares of Company's common stock. Any transfers by Mr. Pringle in accordance with the foregoing restrictions remain subject to the Company's right of first refusal to purchase the stock. On September 29, 2009, (i) the Company declined to exercise its right of first refusal to purchase a total of 950,000 shares from Mr. Pringle and (ii) the Company and Pringle agreed to amend the Pringle Severance Agreement with respect to the selling restrictions (the "Amendment"). Pursuant to the Amendment, (i) Mr. Pringle agreed not to sell, assign, transfer, pledge or encumber more than 20,000 shares of the Company's common stock per week commencing on September 28, 2009 and continuing for the following 78 weeks thereafter, (ii) any transfers of shares that Mr. Pringle agreed to make prior to September 28, 2009 would be made from the 950,000 shares that were permitted to be sold pursuant to the Pringle Severance Agreement prior to November 1, 2009 and (iii) in all other respects, the terms of the original Pringle Severance Agreement remain unchanged

License Agreement and Purchase Order

On October 14, 2009, the Company entered into a License Agreement with Universal Alternative Fuels, Inc. ("UAF"). Pursuant to the terms of the License Agreement, in material part, (i) UAF purchased 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 and the recovery of energy, energy-producing materials and by-products from oil shale and coal; (ii) UAF paid to the Company a license fee of $750,000 and will issue to the Company shares of common stock of UAF equal to 20% of the issued and outstanding shares of UAF common stock; and (iii) 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.

The Company has been advised that Mr. Thomas Vieweg, who owns 125,000 shares of Common Stock of the Company and was a former consultant, is a principal in UAF. In addition, the Company has been advised that certain other principals of UAF currently are either principals or affiliates of Professional Offshore Opportunity Fund, Ltd. ("POOF"). POOF previously provided certain financing to, and was a security holder of. the Company.

In connection with the execution of the License Agreement, the Company entered into a Security Agreement with UAF granting to UAF first priority security interests in (i) the Company's existing prototype machine in Rockford, Illinois (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. The security interests secure the amount of $1.7 million, including (i) the amount of $843,000 credited towards the purchase price of the initial machine as described in the next paragraph, (ii) the $750,000 cash portion of the license fee paid by UAF and (iii) all other obligations of the Company to UAF under the security agreement and the 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 next paragraph.

Contemporaneous with the execution of the License Agreement, UAF issued a purchase order to the Company for an initial machine capable of processing one ton per hour of oil shale (the "Purchase Order"). 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 will pay $500,000 to the Company six months from the date of the Purchase Order, (ii) UAF will pay $500,000 to the Company 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 that it meets the warranted purpose and acceptance of it by UAF.

The Purchase Order may be terminated by UAF under certain circumstances. In such an event, the Company will have the right to repurchase the license granted to UAF pursuant to the terms set forth in the license agreement. If the repurchase right is exercised, then, in addition to reacquiring the license granted to UAF, the security interests granted by the Company to UAF pursuant to the security agreement will terminate and be released and the equity interest that the Company was granted in UAF pursuant to the license agreement will terminate and be cancelled. If the repurchase right is not so exercised, then UAF will retain the license and will have the right to foreclose on the collateral under the security agreement and take immediate and exclusive possession and ownership of the Existing Prototype Machine.

Warrants Expiration Date Extension

On October 22, 2009, the Company extended the expiration date of all warrants to purchase shares of its Common Stock that were outstanding as of August 31, 2009 and were set to expire prior to March 31, 2010 to March 31, 2010.

Additional Change of Chief Executive Officer and Chairman of the Board

On November 11, 2009, Peter A. Worthington resigned from the position of Chief Executive Officer of the Company as well as from its Board of Directors, including as Interim Chairman of the Board.

On November 11, 2009, the Board elected Mr. Brian Ettinger to the Board of Directors of the Company and appointed him as the Chairman of the Board, filling the vacancy created by the resignation of Mr. Worthington. Ongoing compensation to be paid to Mr. Ettinger for services to be provided by him as a member of the Board and as Chairman of the Board has not yet been determined. However, on December 17, 2009, the Company issued 150,000 shares of its Common Stock to Mr. Ettinger for services provided as a member of the Board of Directors.

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Mr. Ettinger, a consultant to the Company since 2008, currently serves as the CEO and General Counsel for Worldwide Strategic Partners, Inc. (“WSP”). General Lincoln Jones III, a director of the Company, owns in excess of thirty percent of WSP. The Company currently has a consulting agreement in place with WSP. Since January 1, 2008, in connection with consultant services provided by Mr. Ettinger to the Company, the Company issued to Mr. Ettinger the following securities: (i) on June 13, 2008, the Company issued 57,500 shares of its Common Stock to Mr. Ettinger as payment for consulting services rendered valued at $129,375; (ii) on October 1, 2008, the Company issued to Mr. Ettinger warrants to purchase 300,000 shares of its Common Stock in partial payment of consulting services to be performed, which warrants have an exercise price of $2.00, with 100,000 warrants vesting on each of June 10, 2009, January 10, 2010 and June 10, 2010; (iii) on October 31, 2008, the Company issued 150,000 shares of its Common Stock to Mr. Ettinger for consulting services rendered valued at $232,500; (iv) on April 1, 2009, the Company issued to Mr. Ettinger warrants to purchase 200,000 shares of its Common Stock in partial payment of consulting services to be performed, which warrants have an exercise price of $1.10 per share and expire on varying dates ranging from January 10, 2012 to June 10, 2012; and (v) on April 22, 2009, the Company issued 225,000 shares of its Common Stock to Mr. Ettinger for consulting services rendered valued at $254,250.

On November 11, 2009, the Board appointed Mr. Ken Kinsella to the position of Chief Executive Officer of the Company. Compensation to be paid to Mr. Kinsella for services to be provided by him as Chief Executive Officer of the Company has not yet been determined.

Reserve Equity Financing Agreement

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 such purchase.

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 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.

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 may cover only a portion of the total shares of the Common stock issuable to AGS pursuant to the REF Agreement. 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. Because we intend to rely on the REF Agreement for our near-term funding needs, in the event of an inability to draw down amounts under the REF Agreement, our financial condition and results of operations could be materially and adversely affected unless we locate an alternate source of funding.

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 2TM Tire-to-Fuel Oil Recycling System, in addition to other potential future applications. The Patriot 2TM is our next generation prototype containing additional features and improved efficiency.

Consulting Agreement with Chairman of the Board

On January 1, 2010, the Company entered into a Consulting Services Agreement with Brian Ettinger, the Chairman of the Board of Directors of the Company. Pursuant to the Consulting Services Agreement, (A) Mr. Ettinger agreed to provide the Company with certain consulting services outside his duties as Chairman of the Board of Directors of the Company and (B) as compensation for the consulting services to be provided by Mr. Ettinger pursuant to the Consulting Services Agreement, the Company agreed to issue to Mr. Ettinger (i) 375,000 shares of its Common Stock (valued at $0.58 per share, the last sale price per share of the Company’s Common Stock as reported by the Pink Sheets on December 31, 2009), which shares may be required to be assigned back to the Company in the event of the termination of the Consulting Services Agreement under certain circumstances, and (ii) warrants to purchase a total of 500,000 shares of the Company’s Common Stock at an exercise price of $0.58 per share, half of which warrants vest on each of July 1, 2010 and January 1, 2011 and which warrants are exercisable for a 24 month period following the respective vesting dates.

Background and Nature of Business

We are a development stage company with three provisional patent applications and two utility patent applications pending in the United States Patent and Trademark Office ("PTO") and approximately ten corresponding foreign patent applications pending in commercially relevant countries. Our patent applications cover our variable frequency microwave technology for recovering hydrocarbons and fossil fuels from sources including shale deposits, tar sands, capped oil wells, waste oil streams and tires. 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.

Our 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 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 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, licensing or sale of the 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 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, a manufacturing facility in Rockford, Illinois, for research on and the manufacture of our machines, where the Patriot-1 was completed. The prototype is being tested initially to apply our microwave Technology to the decomposition of tires as waste and to retrieve commercially viable components therefrom in the form of carbon, liquid hydrocarbons which can be converted to electricity, and gas. 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 to show customers that the process works as applied to a specific feedstock and is viable for commercialization. We are currently working with the Patriot 2, our next generation prototype containing additional features and improved efficiency.

The Company has completed two demonstrations of our commercial prototype machine with the first demonstration taking place May 4-8, 2009 and the second demonstration taking place June 8-11, 2009. Both 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) in Rockford, Illinois. 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 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. The Company believes the demonstrations were successful.

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 corporation since approximately December 15, 2005. Our business history prior to September 22, 2006 may be found at "BUSINESS-History of the Company." 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 ash, scrap steel, and hydrocarbon liquid and gas. When the waste tires are processed, we recover carbon ash which has residual energy value; i.e. it can be used for the production of electricity. 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 licensing agreements and have taken a conditional order for one development prototype machine related to one of those license agreements. We are also currently conducting preliminary negotiations with additional prospective purchasers of machines 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 microwave 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. There can be no assurance that we will succeed.

We do not 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 evaluates 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 dedicated sales and marketing personnel. We have submitted several proposals to build one or more forms of microwave reactor tire processing machines with varying processing speeds.

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. Each agreement will be limited in the type of equipment and process that is the subject of the exclusive arrangement, geographical area, duration and commissions or other payment terms for sourcing potential customers for our equipment. Under each agreement, a representative will be paid only from the proceeds we receive from an actual sale or lease transaction.

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 be required to share our revenues from sale of our products with the other party to the arrangement. The methods, terms and amounts of these arrangements may vary greatly for each such transaction.

Number of Employees

As of December 31, 2009, we had a total of 14 employees, all of which were full-time employees.

Customers; Suppliers

As of December 31, 2009, we had one customer, Universal Alternative Fuels, Inc.. See “DESCRIPTION OF BUSINESS – Recent Developments” above.

As discussed immediately below, we outsource manufacturing and, as of December 1, 2009, Ingersoll Production Systems was the sole supplier of such manufacturing services and we are therefore currently dependent on our continued relationship with Ingersoll Production Systems, the loss of which would have a material adverse impact on us.

Manufacturing Outsourcing

We do not have our own factory site nor the equipment, personnel and 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.

We have entered into a joint cooperation agreement with Ingersoll Production Systems in Rockford, Illinois. Under our agreement, Ingersoll will build a piece of equipment against payment in stages which will be linked to the payments we receive from a customer under a purchase agreement. The agreement also grants us discounts based on larger units orders. Subject to our obligations under the cooperation agreement, we will seek to develop similar arrangements with other manufacturers.

In October 2008, we completed a prototype fixed frequency microwave reactor system, named "Patriot-1", at the Ingersoll Production Systems facility. The prototype was 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 which can be converted to electricity, and gas. We are currently working with the Patriot 2, our next generation prototype containing additional features and improved efficiency.

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 parties to the Joint Development Agreement agreed to use reasonable efforts to collaborate in order develop Surface Upgrading products and services in Heavy Oil oilfield operations. See “DESCRIPTION OF BUSINESS – Recent Developments” above.

Marketing and Distribution Arrangements

We currently have one full time sales person and one full time marketing director. In the future we may expand the number of our sales and marketing personnel and possibly partly outsource these activities to third parties. Currently, we do not have any discussions or plans underway to do so and do not know what terms and conditions may be required to obtain assistance from third party sales organizations.

Intellectual Property

We currently have three utility patent applications pending in the United States Patent and Trademark Office ("PTO") and approximately ten corresponding utility patent applications pending in international patent offices in commercially relevant countries. 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. 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.

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 2TM Tire-to-Fuel Oil Recycling System, in addition to other potential future applications. The Patriot 2TM is our next generation prototype containing additional features and improved efficiency.

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 are 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.

History of the Company

The Company was organized as a Colorado corporation on March 28, 2000 under the name "Email Mortgage.Com, Incorporated" ("Email Mortgage Com"). Its business focus was the marketing of first and second mortgages, principally through its website. The Company was not successful with that business and in 2002 it discontinued those operations, liquidated its loan inventory, and paid off its then existing liabilities. On August 14, 2002, Email Mortgage Com changed its state of domicile from Colorado to Nevada by merging itself into a Nevada corporation named Mariner Health Care, Inc. (formed June 17, 2002) and simultaneously changed its name to "Advanced Healthcare Technologies, Inc." ("Advanced Healthcare"). Under that name, the Company first 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 "Nutratek LLC" ("Nutratek") 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 Nutratek 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, Nutratek 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 corporation until September 22, 2006 when it acquired the assets of Carbon Recovery Corporation in the Recapitalization Transaction described below.

On June 7, 2006, an unrelated third party acquired the Restated and Amended Debenture owned by Transnix Global Corporation, which represented the balance of the indebtedness by the Company to Transnix in the principal amount of $102,345 and accrued interest of $16,274. In conjunction with the assignment of the Debenture, all of the Company's then directors (Messrs. Caldwell, Ferandell, Jordan, Mangiarelli and van Adelsberg) and the Company's sole officer, Richard Mangiarelli, resigned. Contemporaneously, Mary K. Radomsky was elected as a director and as the sole officer of the Company and began negotiations for the acquisition of the assets of Carbon Recovery Corporation.

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.

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, Carbon Recovery was controlled by Mobilestream Oil, Inc. ("Mobilestream") which in turn was controlled by Frank G. Pringle, who was the Chief Executive Officer and Chairman of the Board of Directors of both Carbon Recovery 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.

The Class B and Class D warrants have an exercise price of $2.75 and the Class E warrants have an exercise price of $4.00. All of the CRC Acquisition Warrants were originally scheduled to expire at different times in 2007 and 2008. However, on September 21, 2007, the Board of Directors extended the expiration date of the CRC Acquisition Warrants to December 31, 2007, and on December 31, 2007, the expiration date was further extended until December 31, 2008. In November 2008, the Board of Directors amended the expiration date to 120 days subsequent to the effective date of a successful registration statement filed with the SEC covering the CRC Acquisition Warrants. In July 2009, the Company amended the expiration date of the CRC Acquisition Warrants to March 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 Global 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 at the CRC Acquisition Closing (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 (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. Further, unless the shares underlying the CRC Acquisition Warrants have been so registered, the CRC Liquidating Trustee may serve written demand on us that they be so registered. As of December 31, 2008 and through the date of this filing, the Company has not had a registration statement covering the shares underlying the CRC Acquisition Warrants declared effective by the SEC.

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 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 to Mobilestream (the “Mobilestream Acquisition Common Stock”); (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 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. 23,500,000 of the Mobilestream Acquisition Warrants were issued directly to Frank G. Pringle and were subsequently cancelled on October 23, 2007. The remainder of the Mobilestream Acquisition Warrants were issued to Mobilestream. On December 31, 2007, the Board of Directors extended the expiration date of the outstanding Mobilestream Acquisition Warrants to December 31, 2008. In November 2008, the Board of Directors amended the expiration date of the outstanding Mobilestream Acquisition Warrants to 120 days subsequent to the effective date of a successful registration statement filed with the SEC covering the outstanding Mobilestream Acquisition Warrants. In July 2009, the Company amended the expiration date of the Mobilestream Acquisition Warrants to March 31, 2010.

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.

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. Further, unless the shares underlying the Mobilestream Acquisition Warrants have been so registered, the Mobilestream Liquidating Trustee may serve written demand on us that they be so registered. As of December 31, 2008 and through the date of this filing, the Company has not had a registration statement covering the shares underlying the

Mobilestream Acquisition Warrants declared effective by the SEC.

To the Company’s knowledge, Mr. Pringle is not a beneficiary of the Mobilestream Liquidating Trust and is therefore not entitled to receive any additional securities as a result of our acquisition of the assets of Mobilestream Oil, Inc.

Properties

On September 22, 2006, we acquired substantially all the assets of CRC, prior to which we had no material assets. The assets of CRC included an exclusive license, valued as a zero value asset, that it had from Mobilestream to exploit a patent pending application for the use fixed-frequency microwave radiation for decomposing petroleum-based materials.

On December 31, 2006, we acquired the assets of Mobilestream. 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.

The Company has three separate real property lease agreements. The Company leased 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 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. 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 of 2009. The lease is for five years with monthly payments beginning at $6,567 per month and the lease expires April 2014. With all leases, the Company is required to pay property taxes, utilities, insurance and other costs relating to the leased facilities.

Rent expense for the years ended December 31, 2008 and 2007, and for the cumulative period July 19, 2002 (inception) to December 31, 2008 was approximately $85,000, $60,000, and $248,000, respectively.

Legal Proceedings

As of December 31, 2009, we are not a party to any pending legal proceeding and our property is not subject to any pending legal proceeding, and no such proceedings are known to the Company to be threatened or contemplated against it.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Statements used in this Prospectus, in filings by the Company with the Securities and Exchange Commission (the "SEC"), in the Company's press releases or other public or stockholder communications, or made orally with the approval of an authorized executive officer of the Company that utilize the words or phrases "would be," "will allow," "intends to," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," or similar expressions speaking to anticipated actions, results or projections in the future speak only as of the date made, are based on certain assumptions and expectations which may or may not be valid or actually occur, and which involve various risks and uncertainties, such as those set forth above under “Risk Factors”. The Company cautions readers not to place undue reliance on any such statements and that the Company's actual results for future periods could differ materially from those anticipated or projected.

Unless otherwise required by applicable law, the Company does not undertake, and specifically disclaims any obligation, to update any forward-looking statements to reflect occurrences, developments, unanticipated events or circumstances after the date of such statement.

The following discussion should be read in conjunction with our consolidated financial statements and related notes included as part of this Prospectus.

Overview

Our 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 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 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, licensing or sale of the 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. Although we anticipated completion of the prototype earlier in 2008, there were several factors that contributed to the delay we experienced. These included: delays in delivery of klystron microwave tubes, changes in the design of the prototype, and changes in the conveying procedures for the material. 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 amenable to the Company's Technology. The Company will 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. Accordingly, we have entered into an agreement with Ingersoll Production Systems, a manufacturing facility in Rockford, Illinois, for research on and the manufacture of our machines, where the Patriot-1 was completed. The prototype is being tested initially to apply our microwave Technology to the decomposition of tires as waste and to retrieve commercially viable components therefrom 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.

The Company has completed two demonstrations of our commercial prototype machine with the first demonstration taking place May 4-8, 2009 and the second demonstration taking place June 8-11, 2009. Both 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) in Rockford, Illinois. 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 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. The Company believes the demonstrations were successful. The Company is currently working with the Patriot 2, our next generation prototype containing additional features and improved efficiency.

We do not 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 evaluates 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 generating revenue from licensing agreements and have taken a conditional order for one development prototype machine related to one of those license agreements. We are also currently conducting preliminary negotiations with additional prospective purchasers of machines 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.

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.

Results Of Operations

2008 COMPARISON WITH 2007

(A) REVENUES

We had no revenues from operations for the years ending December 31, 2008 and 2007. We have had no revenues from operations since the closing of the asset acquisitions of CRC in September 2006 and Mobilestream in December 2006. All revenues we received from operations prior to September 2006 were derived from lines of business unrelated to our current activities, and in which we no longer have any ownership interest or other participation. The Company has never had revenues from operations since it began its current business.

The Company has completed a 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. During May 4-8, 2009 and June 8-11, 2009, the Company provided public demonstrations of the Patriot-1 to prospects, partners and dignitaries at our outside contract manufacturer's facility (Ingersoll Production Systems) located in Rockford, Illinois. It will take the Company approximately twelve months to deliver a system from the time the Company receives an order. It is the Company's 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.

Subsequent to the annual reporting date for the accompanying consolidated financial statements, on April 23, 2009, Global Heavy Oil, a wholly-owned subsidiary of the Company, entered into the Collaborative Arrangement with Schlumberger for the purpose of researching and developing “surface upgrading” products, a process using microwaves to increase the gravity of heavy oil above the surface of the Earth in oilfield operations and services for “heavy oil” oilfield operations (“the Products and Services”). The joint development will be based on, and will utilize, the Company’s proprietary patent-pending technologies and intellectual property. In consideration of the Company’s exclusive license of its intellectual property in the “heavy oil” field of use, the Company, through Global Heavy Oil, will receive a total of $600,000 ($300,000 was received thirty days after the execution of the Collaborative Arrangement and $300,000 is payable on the first anniversary of the Collaborative Arrangement). Contingent upon full satisfaction of Phase I under the Collaborative Arrangement (research & development, including testing of the Products and Services), the Company, through Global Heavy Oil, will receive a one-time $1,000,000 engineering fee from Schlumberger within 30 days of the commencement of Phase II under the Collaborative Arrangement. Upon full satisfaction of Phase II and pursuant to the Collaborative Arrangement, the Company, through Global Heavy Oil, will have the right to acquire up to a 40% interest in the joint venture.

(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 $24,132,280 for the twelve months ended December 31, 2008 compared to $10,253,830 for the twelve months ended December 31, 2007, an increase of $13,878,450 or approximately 135%.

In 2007, the Company recognized that it needed to develop credibility for the Technology, specifically for the recognition of its efficiency and environmental impact, and to develop recognition and interest in the investor community as the cost of the waste tire facility was estimated at $25,000,000. As a result, in 2007 the Company developed and focused on a public relations campaign aimed generally at the financial community and the media. In the first nine months of 2007 the Company spent $298,000 for the campaign. In the fourth quarter of 2007 the Company incurred $4.8 million dollars in investment banking and professional fees in the financial markets area. Beginning in September 2007, the Company started to issue common stock for payments to various vendors, contractors, and professional and business consultants to assist the Company in achieving the Company's public awareness goals. The 2007 increase in Investment Banking fees of $3.7 million dollars over 2006 spending levels was mainly due to the issuance of the Company's common stock which began in the third quarter of 2007 and continued in succeeding quarters. 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. These are not traditional investment banking fees which would be offset against the cost of capital.

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

Total professional fees and investment banking fees and investor relations expenses were $16,282,170 for the twelve months ended December 31, 2008 compared to $4,813,322 for the twelve months ended December 31, 2007, an increase of $11,468,848. 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 which is the primary reason for the increase of $11.5 million in investment banking fees, investor relations and professional fees for the twelve months ended December 31, 2008. The value of services was determined based upon the stock market price at the date the stock was issued. Other increases in professional fees were due to an increase of $531,924 in legal fees, $837,681 for the twelve months ended December 31, 2008 versus $305,757 in 2007. Accounting fees increased from $114,673 for fiscal year 2007 to $272,795 fiscal year 2008, an increase of $158,122. The increase in legal fees was caused by the expenses of conducting an annual stockholder meeting, the settlement of certain claims for investment banking services and the filing of several registration statements by the Company.

Other General and Administrative Expenses were $5,853,977 for the twelve months ended December 31, 2008 compared to $4,838,628 for the twelve months ended December 31, 2007, an increase of $1,015,349 or approximately a 21% increase. The increase in expenses for twelve months ended December 31, 2008 was due to the following: (a) The total salary & wages related expenses increased approximately $100,000, and direct salary expenses increased approximately $900,000 because of addition of four employees, including the new Company CEO. Stock options were granted and expensed to the new CEO in the amount of $1.0 million. In 2008 no bonus stock grants were issued to employees resulting in a decrease of approximately $3.0 million versus the twelve months ended December 31, 2007. A severance agreement was reached with former CEO, Frank Pringle and an expense of $1.2 million dollars was recorded in 2008. (b) An expense of $560,000 was recorded in 2008 for indemnification costs due to the potential expense of reimbursing Eric Swain, the Company's CEO until July 6, 2009 for expenses related to Mr. Swain's early termination of his employment with his prior employer, Morgan Stanley. (c) Travel and entertainment was approximately $192,400 compared to approximately $78,700 for the same period last year, an increase of approximately $113,700, mainly due to increased travel to the production facility in Rockford, Illinois. (d) Payment to members of the board of directors in the form of stock warrants began in 2008 and the Company recorded expenses in the amount of approximately $113,000 for the twelve months ending December 31, 2008. (e) Insurance costs increased approximately $73,000 for the twelve months ending December 31, 2008 as compared to the same period in 2007, mainly due to an increase in the number of Company employees.

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, 2008 and 2007 were $871,622 and $222,530, respectively. The increase of $649,092 as compared to prior year can be attributed to the increase in material costs of approximately $350,000 used in research, and the increased salary costs due to addition of personnel in May 2008.

(C) 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 $8,636,931 for the twelve months ended December 31, 2008 compared to other income of $3,675,499 for the twelve months ended December 31, 2007, the change of $4,961,432 being primarily due to the fair value change in the derivative financial instruments.

Interest expense for the twelve months ended December 31, 2008 was $17,981 compared to $23,322 for the twelve months ended December 31, 2007, a decrease of $5,341 or 23%. The 2008 lower interest expense is the result of certain Company loans nearing maturity.

Interest income for the twelve months ending December 31, 2008 and 2007 was $185,025 and $33,329, respectively. The twelve months' increase of $151,696 or 455% in interest income is attributed to the Company having 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. For the twelve months ended December 31, 2008, realized losses on investments was $881,768.

At December 31, 2008 the change in the fair value of derivative financial instruments resulted in income of $9,358,836 in 2008 versus income of $3,765,492 in 2007, for a change of $5,593,344.

Other expenses for the twelve months ending December 31, 2008 and 2007 were $7,181 and $100,000, respectively. The twelve month decrease of $92,819 in other expenses was caused by the fact that in 2007 the Company incurred a one-time loss of $100,000 as a result of a forfeit of a deposit for a prospective acquisition.

(D) NET LOSS

The net loss for the twelve months ended December 31, 2008 was $15,495,349 ($0.33 per share) compared to $6,578,331 ($0.25 per share) for the twelve months ended December 31, 2007, a change of $8,917,018 or 136%. The Company's losses are attributable to no 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 year.

Liquidity And Capital Resources

As of December 31, 2008, the Company had total current assets of $6,079,879 and total current liabilities of $1,133,882, resulting in a working capital of $4,945,997. At December 31, 2008, the Company's current assets consisted of $2.0 million in cash, $2.6 million in short-term investments and $1.5 million in prepaid services. As a development stage company that began operations in 2002, the Company has incurred $29,770,274 in cumulative total net losses from inception through December 31, 2008.

As of December 31, 2008, the Company had $2.0 million in cash and cash equivalents and $2.6 million in short-term investments. The Company projects total cash expenditures needed for the next twelve months ending December 31, 2009 of approximately $4.5 million (operating expenses of approximately $4 million and capital expenditures of approximately $0.5 million). Our assessment of our cash needs, however, is based on assumptions concerning the rate of our cash expenses, the technological and engineering challenges in the development of our products, the projected development times, the equipment construction and testing trials required along with their projected timetable. Our actual operations may be affected by increases in our payroll and staff related matters, technological or engineering difficulties, deviations from the timetables for experimentation and testing trials. However, due to the fact that the Company incurred substantial net losses for the cumulative period from July 19, 2002 (inception) to December 31, 2008 and that it currently has no revenue stream to support itself, there is substantial 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 the Company's operations through the twelve months ended December 31, 2008. Net cash provided by financing activities was $11,099,837 for the year ended December 31, 2008 compared to $1,689,701 for the year ended December 31, 2007, a change of $9,410,136. This increase was primarily the result of 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.

The Company has continued to issue stock or options or warrants to various vendors (non-employees) as payments for services rendered. In the twelve months ended December 31, 2008, the Company issued 7,714,849 shares of common stock in payment of services valued at $15,590,217, 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 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 117% to 159%, risk-free interest rate ranging from 1.61% to 2.93% and expect life a half year to five years. The Company also granted 9,537,782 warrants with an average excise 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, 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 CEO until July 6, 2009, 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 Mr. 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 was to vest in equal annual installments of 1,000,000 options on September 23, 2009 and on each anniversary thereafter for the three years thereafter but were cancelled upon the termination of Mr. Swain's employment. 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 2.92%; 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 stockholder 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. Subsequent to December 31, 2008, the amount of options awaiting stockholder approval mentioned above has been adjusted to 2,900,000 to reflect the retirement of one of the Company's executives.

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. The monthly payments on this loan are $2,396. The total remaining loan payments including interest is $57,074, for the two loans.

(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 $34,924.

(C) OPERATING LEASES

The Company leases office space and manufacturing space under three separate lease agreements that are classified as operating leases. The Company leased office space in West Berlin, New Jersey, which had a monthly lease payment of $5,000 per month and the lease expired on May 31, 2009. Beginning in June 2009 the Company will continue to lease space at the West Berlin location at a monthly lease payment rate of $1,600 per month and this lease expires in June 2012. The Company entered into a new lease for new corporate headquarters in Mount Laurel, New Jersey, which has a monthly lease payment of $6,567 and the lease expires April 2014. The Company also leases manufacturing space in Rockford, Illinois, which has a monthly lease payment of $2,703 and expires on April 30, 2010. The total future minimum annual lease payments are approximately $484,000.

(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 is approximately $770,000. The Company has currently paid approximately $620,000 as of December 31, 2008 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, which commitments total approximately $610,000, of which the Company had paid approximately $600,000 through December 31, 2008.

NINE MONTHS ENDED SEPTEMBER 30, 2009 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(A) REVENUES

We had $90,000 in revenues from operations for the nine months ended September 30, 2009 and had no revenues for the nine months ended September 30, 2008. Revenue recorded for this nine month period was derived pursuant to the Joint Development Agreement entered into by Global Heavy Oil Corporation, a wholly-owned subsidiary of the Company, on April 23, 2009 with Schlumberger Technology Corporation and Schlumberger Holdings Limited. See “DESCRIPTION OF BUSINESS – Recent Developments” above. 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 September 30, 2009, $90,000 has been reclassified as revenue. As of September 30, 2009, the balance of $210,000 remains on the condensed 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. All revenues we received from operations prior to September 2006 were derived from lines of business unrelated to our current activities and in which we no longer have any ownership interest or other participation.

(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 approximately $11.507 million for the nine months ended September 30, 2009 compared to approximately $19.332 million for the nine months ended September 30, 2008, a decrease of approximately $7.825 million or approximately 40%.

Changes in general and administrative expenses versus the prior nine months period are the following:

The Company has recorded expenses in 2008 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 $3.1 million for the nine months ended September 30, 2009, compared to $15.5 million for the nine months ended September 30, 2008, a decrease of approximately $12.4 million. This large decline in professional fees and investment fees and investor relations expenses is due to the reduction of stock issued for services in 2009. The Company issued 949,000 shares of common stock for services performed or to be performed by non-employees, valued at approximately $1.1 million for the nine months ended September 30, 2009 versus 7,232,838 shares of common stock for services performed or to be performed by non-employees, valued in the amount of approximately $15.0 million, for the nine months ended September 30, 2008, a decrease of approximately $13.9 million, the Company also decreased cash spending in this area in the amount of approximately $445 thousand. The value of services was determined based upon the stock market price at the date the stock was issued. Other costs which are included as part of professional fees for the nine months ended September 30, 2009 are legal fees of approximately $430 thousand and accounting fees of approximately $608 thousand, for a total of $1.0 million this represents an increase of approximately $380 thousand versus same nine month period in 2008. The significant increase in accounting fees are due to the additional audit work needed to be performed by our auditors as a result the Company filing a form 8K 4.02 on April 2, 2009, concerning non-reliance on previously issued financial statements and additional legal costs associated with the Company’s S-1 registration filings.

Other general and administrative expenses for the nine months ended September 30, 2009 were approximately $6.2 million compared to approximately $2.6 million for the nine months ended September 30, 2008, an increase of approximately $3.6 million. The increase in other general expenses for nine months ended September 30, 2009 was primarily due to the following: A severance liability accrual relating to Mr. Eric Swain in the amount of approximately $3.1 million. Net salary expenses increased by $340 thousand for the nine month period ending September 30, 2009 to approximately $2.1 million. Regular salary & wages expenses increased approximately $340 thousand due to the addition of four employees. Offsetting regular salary increases were decline in stock bonus issued in 2008. In 2008 the Company issued 342,000 shares of common stock valued at $770,000 to key senior executives, including former CEO Frank Pringle, which stock bonuses were cancelled and the stock returned in the third and fourth quarters of 2008. Salary expense was also impacted in 2009 for increases for the amortization of stock options granted in 2008, to former CEO Eric Swain in the amount of approximately $1.0 million. Meetings and promotion expense increased approximately $106 thousand for the promotion and demonstration of the prototype machine "Patriot-1" in May 2009. Travel and Entertainment increased in the amount of approximately $66 Thousand. Health and corporate insurance expenses increased approximately $122 thousand. Rent expenses increased approximately $67 thousand due to the new Company corporate headquarters, and various all other expense declined approximately $100 versus the same nine month period ending September 30, 2009.

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 nine months ended September 30, 2009 and 2008 were approximately $1.119 million and $612 thousand, respectively. The increase of $507 thousand as compared to the same period in the prior year can be attributed to the following: increase in salary expenses of approximately $340 thousand due to the addition of four employees, supplies used to perform research increased approximately $116 thousand, increase in consulting expertise in the amount of approximately $100 thousand, miscellaneous other expense increase approximately $60 thousand and depreciation expense increased approximately $192, thousand mainly due to depreciation associated with the our prototype machine, "Patriot-1" which was put into service as of June 1, 2009. The increases in 2009 over 2008 expenses for the nine month period ended September 30, were partially offset by a reduction in costs of approximately $303,000 for the write-off of obsolete parts used to construct the prototype machine "Patriot-1" in 2008.

(C) 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 expense was $1.547 million for the nine months ended September 30, 2009 compared to other income of $9.910 million for the nine months ended June 30, 2008, a decrease of $8.363 million due primarily to fair value change in derivative financial instruments.

Interest expense for the nine months ended September 30, 2009 was approximately $9.1 thousand compared to $14.4 thousand for the nine months ended September 30, 2008, a decrease of approximately $5.3 thousand, as a result of loans nearing there maturity date.

Interest income for the nine months ended September 30, 2009 and 2008 was $115.7 thousand and $114.4 thousand respectively. The increase of $1.3 thousand in interest income for the nine months ended September 30, 2009 compared to the same period in 2008 is due to having short-term investments for six months in 2009 versus having short-term investments for only five months in 2008. In April of 2008, $4,000,000 of surplus cash was invested in short-term investments.

Net realized loss on investments for the nine months ended September 30, 2009 and 2008 was approximately $20.0 thousand and $43.2 thousand, respectively. The decrease of approximately $23.2 thousand in net realized loss on investments is due to lower investment amounts for the nine months period September 30, 2009 compared to the same period in 2008.

At September 30, 2009, the change in the fair value of derivative financial instruments resulted in income of $1.461 million for the nine months ended September 30, 2009, versus income of $9.853 million for same nine month period in 2008, for a change of $8.392 million.

(D) NET LOSS

The net loss for the nine months ended September 30, 2009 was approximately $9.870 million ($0.16 per share) compared to a net loss of approximately $9.422 million ($0.22 per share) for the nine months period ended September 30, 2008, an increase in losses in of approximately $448 thousand. The Company's losses are attributable to it having no significant revenue stream because it is still in the development stage. The increase in net loss for the nine month period ended September 30, 2009 can be mainly attributed to a decrease in income associated with the change in the fair value of the Company's derivative financial instruments in the amount of approximately $8.4 million and a one-time charge of approximately $3.1 million for severance expense for Mr. Eric Swain. Company made significant reductions in operating expenses, approximately $7.8 million, detailed above due to of cash shortfall. In 2008 increases in expenses can be attributed to the significant increase of non-cash charges related to expenses for professional fees such as investor relations and public relations and investment banking fees services as payments were made by the issuance of common stock for such services rendered during the quarter.

Liquidity and Capital Resources

On November 24, 2009, after the date of the financial statements discussed below, we entered into a Reserve Equity Financing Agreement with AGS Capital Group, LLC ("AGS"), pursuant to which we agreed to issue and sell to AGS, and AGS agreed to purchase from us, from time to time up to $10,000,000 worth of our Common Stock, subject to certain conditions and limitations. See "DESCRIPTION OF BUSINESS – Recent Developments". However, there is no guarantee that we will be able to meet the conditions under the Reserve Equity Financing Agreement in order to draw down any portion of the amounts available under the Reserve Equity Financing Agreement. Because we intend to rely on the Reserve Equity Financing Agreement for our near-term funding needs, in the event of an inability to draw down amounts under the Reserve Equity Financing Agreement, our financial condition and results of operations could be materially and adversely affected unless we locate an alternate source of funding.

As of September 30, 2009, the Company had total current assets of $585 thousand and total current liabilities of $1.108 million, resulting in negative working capital of $524 thousand. As of December 31, 2008, the Company had total current assets of $6.080 million and total current liabilities of $1.134 million, resulting in working capital of $4.946 million. As a development stage company that began operations in 2002, the Company has incurred $39.640 million in cumulative total losses from inception through September 30, 2009.

Based on the Company's current operating plan, total cash expenditures needed for twelve months following September 30, 2009 are expected to exceed the Company's cash and cash equivalents and short-term investments, aggregating approximately $134 thousand as of September 30, 2009. The Company's assessment of its cash needs may be affected by changes in the assumptions relating to the Company's technological and engineering requirements in the development of its products as well as payroll, staff and administrative related matters. However, due to the fact that the Company incurred substantial net losses for the cumulative period from July 19, 2002 (inception) to September 30, 2009 and that it currently has no significant revenue stream to support itself, there is substantial doubt about the Company's ability to continue as a going concern.

The Company did not have any cash provided from financing activities for the nine month period ended September 30, 2009. The Company did not sell any stock for cash for the three month period and nine month period ending September 30, 2009, instead it used cash in the amount of $36 thousand for payment on loans. The Company has been successful in the past in obtaining required cash resources by issuing stock to service the Company's operations. For the nine months ended September 30, 2008, net cash provided by financing activities was approximately $11.105 million. This increase was primarily the result of the sale of common stock. During the nine months period ended September 30, 2008, the Company sold 11,550,950 shares of common stock for gross proceeds of approximately $12.1 million.

The Company has continued to issue stock or options or warrants to various vendors (non-employees) as payments for services rendered. In the nine months ended September 30, 2009, the Company issued 849,000 shares of common stock in payment of services valued at approximately $1.115 million, $60,800 of which was recorded as expense in the condensed consolidated statement of operations and comprehensive loss and $942,120 was recorded as prepaid expense, of which $290,800 has been expensed as of September 30, 2009. The value of services was determined based upon the stock market price at the date the stock was issued. For the nine months ended September 30, 2008, the Company issued 7,232,838 of common stock shares for services rendered valued at approximately $14.539 million. The Company also issued 650,041 warrants with an average excise price of $1.30 for services rendered or to be performed for the nine months ended September 30, 2009. An expense of approximately $227 thousand was recorded to the condensed consolidated statement of operations and comprehensive loss for the value of these warrants. Warrants issued for services were valued using the Black-Scholes option-pricing model, with expected volatility ranging from 94% to 151%, risk-free interest rate ranging from .80% to 1.87% and an expected life of a half year to five years.

On January 29, 2009, the Company authorized the grant of 35,000 common stock options to staff employees, These options have an exercise price of $1.02 and expire on January 29, 2019. These options were granted under the Company's 2008 Incentive Stock Option Plan, as amended, and become fully vested on July 1, 2009, subject to stockholders' approval of an Amendment to the Plan increasing the number of shares available for issuance thereunder.

On February 19, 2009, the Company authorized the grant of 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 and 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 stockholder approval of an Amendment to the Plan, increasing the number of shares available for issuance.

On April 27, 2009, upon the retirement of Mr. Wayne Koehl from employment with the Company, 600,000 of his options awaiting stockholder approval of an amendment to the Company's 2008 stock option plan were cancelled. Of the combined 2,900,000 options granted to the three executives besides the CEO, 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. 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 2.92%; and an expected life of approximately six years. Expected forfeitures were estimated to be 0%. No compensation expense was recorded for the 2,900,000 options awaiting stockholder approval 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.

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%.

CAPITAL RESOURCES

(A) LONG-TERM DEBT OBLIGATIONS

The Company entered in two loan agreements for the purchase of equipment in 2006. 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. The monthly payments on this loan are $2,396. The total remaining loan payments, including interest payments, are $21,861 as of September 30, 2009 for the two loans.

(B) CAPITAL LEASES

The Company leases certain phone and computer equipment under agreements that are classified as capital leases. The cost of equipment under capital leases is included in the condensed consolidated 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 as of September 30, 2009 are approximately $19,173.

(C) OPERATING LEASES

The Company leases office space and manufacturing space under three separate lease agreements that are classified as operating leases. The Company leased office space in West Berlin, New Jersey for a monthly lease payment of $5,000 which expired on May 31, 2009. Beginning in June 2009, the Company continued to lease space at the West Berlin location at a monthly lease payment rate of $1,600 per month expiring in June 2012. The Company entered into a new lease for new corporate headquarters in Mount Laurel, New Jersey, which has a monthly lease payment of $6,567 and expires April 2014. The Company also leases manufacturing space in Rockford, Illinois, which has a monthly lease payment of $2,703 and expires on April 30, 2010. The total future minimum annual lease payments are approximately $429,000.

(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 is approximately $770,000. The Company has currently paid approximately all of this commitment as of June 30, 2009 under this agreement. This amount is reflected in the accompanying 2009 condensed 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 2009 condensed 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, which commitments total approximately $610,000, of which the Company has paid approximately all of these commitments through September 30, 2009.

OPERATING ACTIVITIES

Net cash used in operating activities was $5,175,036 for the twelve months ended December 31, 2008 compared to $2,689,445 for the twelve months ended December 31, 2007, an increase of $2,485,591 or approximately 92%. This $2.5 million use of cash is a result of operating expenses adjusted for non-cash expenses.

Net cash used in operating activities was approximately $4.126 million for the nine months ended September 30, 2009 compared to $3.370 million for the nine months ended September 30, 2008, an increase of approximately $756 thousand or approximately 22%.

INVESTING ACTIVITIES

Net cash used in investing activities was $4,691,496 for the twelve months ended December 31, 2008 compared to cash provided by investing activities of $10,167 for the twelve months ended December 31, 2007, a change of $4,701,663. The primary reasons for the changes in the year to date were: Purchases of marketable securities in amounts of $4 million dollars and purchases of materials in the amount of approximately $930,000 for construction of our prototype machine.

Net cash provided by investing activities was approximately $2.282 million for the nine months period ended September 30, 2009 compared to use of cash in the amount of approximately $4.706 million for the nine months ended September 30, 2008, a change of approximately $6.988 million. The changes were due primarily to (i) our receiving proceeds from our marketable securities in the amount of $2.780 million during the nine months ended September 30, 2009, (ii) our making purchases of materials for the construction of our prototype machine, Patriot-1, in the amount of approximately $422.9 thousand during the nine months ended September 30, 2009, and (iii) in April of 2008 $4,000,000 of surplus cash was invested in short-term investments.

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 in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

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), and included in the consolidated statement of stockholders' equity. Realized gains or losses and declines in value judged to be other-than-temporary on these investments are recognized as realized gains or losses in the condensed 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 accordingly will may have to liquidate almost all of the short-term investments within the next twelve months (see Note 16 and Note 17 to the consolidated financial statements).

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, Research and Development – Overall. 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, 2008 and 2007, and for the cumulative period July 19, 2002 (inception) to December 31, 2008 were $871,622, $222,530 and $1,281,039, respectively. The amounts charged to operations for the nine months ended September 30, 2009 and 2008 were $1,119,069 and $612,165, respectively, and for the cumulative period July 19, 2002 (inception) to September 30, 2009, was $2,400,108.

Stock-Based Compensation

The Company recognizes compensation cost associated with its stock based awards 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 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 ("APB") 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 FASB ASC 718-10, Compensation – Stock Compensation ("ASC 718-10"), and related interpretations as if the fair value had been applied in measuring compensation expense. As a result, stock-based compensation expense, based upon the fair value method, is included as a pro forma disclosure in the notes to the Company's consolidated financial statements.

The effect on the Company's net loss as if the Company had applied the fair value recognition provisions of ASC 718-10 to stock-based compensation during the cumulative period July 19, 2002 (inception) to March 31, 2009 was not material.

On January 1, 2006, the Company adopted the provisions of ASC 718-10 using the modified prospective transition method. The total expense associated with stock-based employee compensation was approximately $1,040,000 for the year ended December 31, 2008, and for the period July 19, 2002 (inception) to December 31, 2008. There was no expense associated with stock-based employee compensation for the year ended December 31, 2007. The total expense associated with stock-based employee compensation was approximately $960,000 for the nine months ended September 30, 2009 and $2,000,000 for the period July 19, 2002 (inception) to September 30, 2009. There was no expense associated with stock-based employee compensation for the nine month period ended September 30, 2008.

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 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, 2008 and 2007 respectively, are as follows:

	As of December 31, 2008	As of December 31, 2007

Options	5,200,000	200,000
Warrants	21,425,795	12,329,013
Convertible Preferred Stock	2,500	17,822,153
Total	26,628,295	30,351,166

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, 2008 and 2007.

Unexercised common stock options and warrants to purchase common stock, and preferred stock convertible into common stock as of September 30, 2009 and 2008 respectively, were as follows:

	As of September 30, 2009	As of September 30, 2008
Options	3,200,000	1,200,000
Warrants	22,075,836	21,894,749
Convertible Preferred Stock		2,500
Total	25,275,836	23,097,249

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 September 30, 2009 and 2008.

Derivative Financial Instruments

The Company's derivative 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 instruments in cash, and without regard to probability, the Company classifies all of 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 condensed consolidated statements of operations and comprehensive loss.

Recent Accounting Pronouncements

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

MANAGEMENT

Directors and Executive Officers

Effective August 13, 2008 we increased our Board of Directors from 5 to 7 members and appointed Mr. Paul J. Sweeney and Mr. Peter A. Worthington to fill the vacancies created by the increased size. There were also changes to our officers as follows: our then Chairman, Frank G. Pringle, resigned as President effective as of January 1, 2008 and as Chief Executive Officer effective August 13, 2008, and the Board appointed Mr. Jeffrey T. Kimberly, formerly our Chief Operating Officer, as our new President. Mr. Wayne J. Koehl was promoted from Executive Vice President to Chief Operating Officer to fill the vacancy created by Mr. Kimberly's promotion. On September 24, 2008 the Board of Directors appointed Mr. Eric Swain as our new Chief Executive Officer. On November 12, 2008 Mr. Pringle resigned as Chairman and as a member of the Board of Directors. Mr. Swain was appointed to fill the vacancy created by the resignation, and was elected Chairman of the Board. On May 28, 2009, the Board voted to separate the position of Chairman of the Board from that of Chief Executive Officer of the Company. Consequently, the Board appointed Peter A. Worthington to the position of Interim Chairman of the Board until a permanent, independent Chairman of the Board is appointed. Effective on July 6, 2009, the Company terminated the employment of Eric Swain, the then Chief Executive Officer of the Company, and removed him from the Company's Board of Directors. Effective upon Mr. Swain's departure, the Board of Directors appointed Peter A. Worthington to the position of Chief Executive Officer. On November 11, 2009, Peter A. Worthington resigned from the position of Chief Executive Officer of the Company as well as from its Board of Directors, including as Interim Chairman of the Board. On November 11, 2009, the Board elected Mr. Brian Ettinger to the Board of Directors of the Company and appointed him as the Chairman of the Board, filling the vacancy created by the resignation of Mr. Worthington. Ongoing compensation to be paid to Mr. Ettinger for services to be provided by him as a member of the Board and as Chairman of the Board has not yet been determined. However, on December 17, 2009, the Company issued 150,000 shares of its Common Stock to Mr. Ettinger for services provided as a member of the Board of Directors. On November 11, 2009, the Board appointed Mr. Ken Kinsella to the position of Chief Executive Officer of the Company. Compensation to be paid to Mr. Kinsella for services to be provided by him as Chief Executive Officer of the Company has not yet been determined.

Our directors, executive officers, significant employees, as well as their ages and the positions they held, as of December 31, 2009, are set forth below. Our directors hold office until our next annual meeting of stockholders and until their successors in office are elected and qualified. All of our officers serve at the discretion of our Board of Directors.

Name	Age	Position and Offices with the Company
Ken Kinsella	46	Chief Executive Officer
Jeffrey J. Andrews	58	Chief Financial Officer, Secretary and Treasurer
Jeffrey T. Kimberly	47	President
Brian Ettinger	56	Chairman of the Board of Directors
Frederick A. Clark	47	Director
Lincoln Jones III Major General, USA (Ret.)	76	Director
Kim Thorne O'Brien	51	Director
Jonathan L. Simon	58	Director
Paul J. Sweeney	41	Director

Ken Kinsella has been the Chief Executive Officer of the Company since November 11, 2009. Mr. Kinsella has extensive senior executive experience in the operations and management of several top organizations including both private and publicly listed NASDAQ companies. His wealth of experience is global and he has conducted business in countries outside the United States, such as the UK, Japan, Korea, India, Australia, Greater China and throughout Continental Europe. Prior to joining the Company, he was a Founding Partner in Tribe Equity Limited, a provider of capital and corporate growth strategies to rapidly growing small and medium businesses founded in 2007. Prior to Tribe Equity Limited, since 2005, he was the CEO of Invicta Investments Limited, an organization that specialized in the construction of transactions including international property, energy, renewables and corporate equity deals in the United States and Europe. Throughout his career, Mr. Kinsella has been responsible for global business rollouts and strategic expansion including mergers and acquisitions, joint venture execution and strategic alliance partnerships. Mr. Kinsella received an Honors Business Degree from Trinity College, Dublin, Ireland, in 1988.

Jeffrey J. Andrews has served as our Chief Financial Officer, Treasurer and Secretary since September 22, 2006, and as a director from that date until his resignation on May 21, 2008. Mr. Andrews graduated from Villanova University in May, 1974 with a B.S. in Accounting. He has been a C.P.A. in Pennsylvania since 1978. He commenced his accounting career as an Audit Manager for a regional firm, and over his career has served as the Controller, Treasurer and/or CFO of various companies, and has had experience in corporate restructurings and reorganizations as well as IPO's and SEC periodic reporting. From April, 1999 to June, 2002 Mr. Andrews served as CFO of Collectible Concepts Group, Inc., a public company. From June 2002 to October 2004 Mr. Andrews was the Controller of Encapsulation Systems Inc. He joined the Company upon the acquisition of Carbon Recovery Corporation on September 22, 2006, but he had been employed by Carbon Recovery Corporation since November 1, 2004.

Jeffrey T. Kimberly, who was appointed our Chief Operating Officer effective February 7, 2008, became our President on August 13, 2008. Mr. Kimberly has over 27 years experience in the machine tool industry. From September 2006 to January 2008, Mr. Kimberly served as President of Ingersoll Productions Systems, a custom engineer and manufacturer of high quality production machinery and a subsidiary of the Dalian Tool Machine Group Co., Ltd. Previously at Ingersoll Production Systems, Mr. Kimberly served as the Director of Planning and Process Control (January 2006 to September 2006) and as the Director of Projects and Materials (2002 to July 2005). From July 2005 to January 2006, Mr. Kimberly served as the Senior Project Manager and Master Scheduler at ITT Pure-Flo MPC, a manufacturer of process systems (single-purpose systems - containing pumps, valves, pressure vessels and instrumentation) primarily for biopharmaceutical and pharmaceutical companies. From 1981 to 2002, Mr. Kimberly served in various capacities at Ingersoll Milling Machine Co., including Process Control Manager (1999 - 2002), Project Manager (1997 - 1999) and Sales & Simultaneous Engineering Project Manager (1990 - 1997). Mr. Kimberly's educational background includes training in mechanical design and machine shop and assembly floor manufacturing.

Brian Ettinger has served as a director of the Company and Chairman of its Board of Directors since November 11, 2009 and has also been a consultant to the Company since October 2008. Mr. Ettinger currently serves as the CEO and General Counsel for Worldwide Strategic Partners, Inc. (“WSP”), an energy consulting firm involved in domestic and international energy projects involving oil and gas production, exploration, alternative fuels, waste to energy, biofuels, power and pipelines. Mr. Ettinger joined WSP in January 2002. From June 2007 to August 2009, he also served as an independent consultant to Nuclear Solutions, Inc., a company that developed technology to convert waste coal into diesel fuel. Mr. Ettinger has also had a general practice law office since January 1994. Mr. Ettinger currently serves on the board of directors of WSP and on the board of directors of Texas Pacific Corporation, a developer of a natural gas and products pipeline from Texas to Arizona and Nevada. Mr. Ettinger received a B.A. degree in Political Science and Economics from LaSalle College in 1974 and a Juris Doctor degree from South Texas College of Law in 1983.

Frederick A. Clark has served as a director of the Company since December 14, 2006. Mr. Clark is President/CEO of Clark Resources, Inc., a governmental relations consulting firm located in Harrisburg, Pennsylvania. Mr. Clark graduated from Pennsylvania State University with a B.A. in Elementary Education in 1985. Mr. Clark has served as a member of the Board of Education of the Harrisburg School District, has served as the President of the African American Chamber of Commerce, is the former CEO of the Urban League of Metropolitan Harrisburg, and is currently Chairman of the National African American Cultural Center. For the past several years, Mr. Clark has been a part-time lecturer at the Pennsylvania Governor's School on Business and Industry and has been appointed by the past three Pennsylvania governors to serve on boards and commissions. Clark Resources, Inc. is representing the Company in Pennsylvania for matters with respect to the proposed tire disposal facility.

Lincoln Jones III has served as a director of the Company since May 21, 2008. General Jones served in the United States Army from 1958 to 1990 from which he retired with the rank of Major General. From 2004 to the present General Jones has been Chairman of the Board of International Spectrum and Development Corporation, a company engaged in operating family entertainment centers. From 1998 to the present General Jones has also been President of

Lincoln Associates, Inc., a company that provides assistance and consulting services for political-military subjects and energy related projects in the United States and overseas. From 1996-1998 General Jones served as Vice Chairman of Enron Europe, and from 1990 to 1998 he held positions as President of various subsidiaries or affiliates of Enron Corp. General Jones is also an owner of in excess of thirty percent of WSP. General Jones graduated from the United States Military Academy, West Point with a B.S. in Engineering and received a M.S. in International Relations and Political Science from Auburn University. General Jones is also a graduate of the United States Air Force Command and Staff College and the National War College, National Defense University in Washington, D.C. General Jones has received numerous awards and decorations including the Distinguished Service Medal with oak leaf cluster and the Department of the Army Outstanding Civilian Service Medal in 2002. General Jones is a member of the board of directors of several associations including St. Thomas University (College of International Studies) and National Defense University Foundation.

Kim Thorne O'Brien has served as a director of the Company since September 20, 2007. Since May, 2004 Ms. O'Brien has been President of Independence, Inc., a firm engaged in providing consulting services to start-up biotechnology companies. From December, 2001 to May, 2004 Ms. O'Brien was Vice President, Business Development & Marketing, of Advanced Traces, Inc. a company engaged in the development of supersensitive detectors of biowarfare agents. Prior to that, Ms. O'Brien was Regional Business Director, Northeast Region, of MedImmune, Inc. from October 1995 to October 2001. Ms. O'Brien graduated from Ursinius College in 1980 with a B.S. in Health & Physical Education, graduated from Temple University with an M.S.Ed in Exercise Physiology in 1981 and completed all work except for the dissertation for a Ph.D. in Cardiovascular Physiology from Temple University. Thereafter, and until October 1995, Ms. O'Brien held various jobs in the health industry.

Jonathan L. Simon has been a director of the Company since September 20, 2007. Mr. Simon has been engaged in the recycling industry since approximately the mid-1970's. From 1990 to March, 2006 he was President of Royal Green Corp., a company engaged primarily in recycling ferrous metals. From April, 2006 to the present, Mr. Simon has been President of Royal Green LLC, a successor company to the corporation, still engaged in recycling ferrous metals. In addition, since May, 2006 Mr. Simon has been a director of Green Energy Technologies. Mr. Simon graduated from the University of Pittsburgh in 1973 with a B.S. in Biology (with honors).

Paul J. Sweeney has been a director of the Company since August 13, 2008. From February 2007 to the present Mr. Sweeney has been a financial advisor acting as a principal in Paul Sweeney Financial Services. From 2002 until February 2007 Mr. Sweeney was an Investment Manager with the Bank of Ireland. Prior thereto, from 1990 to 2002 Mr. Sweeney was a bank manager for National Irish Bank. Mr. Sweeney has a Diploma in Financial Services and a B.A. in Finance. Mr. Sweeney received the Investor Manager of the Year Award in 2006.

There are no family relationships between any of the executive officers and directors.

Independence of Directors

The Board of Directors has determined that each of Kim Thorne O’Brien, Jonathan L. Simon and Fredrick Clark is “independent” as defined in NASDAQ Marketplace Rule 4200.

Involvement in Certain Legal Proceedings

To our knowledge, during the past five years, none of our directors, executive officers, promoters, or control persons has been (i) the subject of any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) convicted in a criminal proceeding or is subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or (iv) found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law

EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table sets forth the cash and non-cash compensation for each of our last two fiscal years awarded to, earned by or paid to (i) each individual serving as our chief executive officer during the fiscal year ended December 31, 2008, (ii) the most highly compensated individuals (up to two) other than the chief executive officer that served as an executive officer at the conclusion of the fiscal year ended December 31, 2008 and who received total compensation in excess of $100,000 during such fiscal year and (iii) the most highly compensated individuals (up to two) that did not serve as an executive officer at the conclusion of the fiscal year ended December 31, 2008 but who received total compensation in excess of $100,000 during such fiscal year (collectively, the “named executive officers”):

Name and Principal Position	Year	Salary ($)	Bonus ($) (2)	Stock awards ($) (1)	Option Awards ($) (1)	Nonequity incentive plan compensation ($)	Nonqualified Deferred Compensation Contributions ($)	All other Compensation ($) (3)	Total ($)
Eric Swain	2008	$ 133,125	$ -	$ -	$ 1,040,000	$ -	$ -	$ 17,760	$ 1,190,885
Chief Executive Officer	2007	$ -							$ -
Frank G. Pringle	2008	$ 330,717	$ -	$ -	$ -	$ -	$ -	$ 18,420	$ 349,137
Former President, CEO and Chairman of the Board	2007	$ 354,167		$ 2,250,000				$ 44,175	$ 2,648,342
Jeffrey J. Andrews	2008	$ 166,256	$ -	$ -	(a)	$ -	$ -	$ 9,498	$ 175,754
Chief Financial Officer, Secretary and Treasurer	2007	$ 162,439	$ -	$ 579,000					$ 741,439
Jeffrey T. Kimberly	2008	$ 193,750	$ 100,000	$ -	(a)	$ -	$ -	$ 7,800	$ 301,550
President	2007	$ -							$ -
Wayne J. Koehl	2008	$ 135,729	$ 100,000	$ -	(a)	$ -	$ -	$ 3,500	$ 239,229
Former Chief Operating	2007	$ -							$ -

Officer

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(1) Amounts are calculated based on provisions of ASC 718-10, Stock Compensation. See note 11 of the consolidated financial statements of the Company's Annual Report on Form 10-K for the year ended December 31, 2008 regarding assumptions underlying valuation of equity awards.

(a) The Company has authorized options in September 2008 but no expense was recorded in fiscal year 2008 because the options are subject to share holder approval of an amendment to the Company's stock option plan increasing the number of authorized options shares available for issuance under the plan. See note 11 of the consolidated financial statements.

(2) The amounts represent executive hiring signing bonuses.

(3) The amounts include reimbursement during the fiscal year paid on behalf of the executive officer for (i) car allowance, (ii) life insurance premiums and (iii) interest paid from a loan.

Executive Employment Agreements

A consulting agreement among the Company, Mr. Pringle, and 888 Corporation, a corporation wholly-owned by Mr. Pringle, was terminated on November 12, 2008 when the parties entered into a severance agreement. The terms and conditions of the severance agreement are described in "Certain Relationships and Related Transactions."

Eric Swain was appointed the Chief Executive Officer of the Company by the Board of Directors on September 24, 2008. In connection with the appointment, the Board of Directors approved a Summary of Terms of Proposed Employment Agreement to be entered into between the Company and Mr. Swain. The Summary of Terms provided, among other things, (i) for an employment term of five years at an annual salary of $450,000 from the date of the execution of the employment agreement through December 31, 2009, with an increase to $525,000 on January 1, 2010 if the Company reaches at least one sales goal as defined in the Summary of Terms; (ii) that any other increase in annual salary is to be determined in the employment contract; and (iii) for a grant to Mr. Swain of an option to purchase five million (5,000,000) shares of Common Stock (which options have been granted and are exercisable at $1.18 per share), of which, options for one million (1,000,000) shares of Common Stock vested immediately and options for one million (1,000,000) shares of Common Stock were to vest on each of September 23, 2009, September 23, 2010, September 23, 2011 and September 23, 2012, provided that Mr. Swain is still employed on the relevant vesting date, and which are exercisable from and after their respective vesting date, and for a period of fifteen (15) years thereafter. Mr. Swain's employment with the Company was terminated effective on July 6, 2009. On October 2, 2009, the Company entered into a Settlement Agreement and Release with Mr. Swain, pursuant to which, among other things, of the options to purchase 5,000,000 shares of the Common Stock previously granted to Mr. Swain, Mr. Swain retained 1,000,000 that previously vested, 1,000,000 that vested on December 1, 2009 and 1,000,000 that will vest on December 1, 2010, the remaining 2,000,000 being cancelled. For information on additional terms contained of the Settlement Agreement and Release, see “DESCRIPTION OF THE BUSINESS – Recent Developments.”

Jeffrey J. Andrews, the Chief Financial Officer, Treasurer and Corporate Secretary, was employed pursuant to an at will agreement with the Company until September 23, 2008. In 2007, Mr. Andrews received a salary of $162,439.00. In 2007 the Board of Directors awarded Mr. Andrews a total of 200,000 shares of common stock pursuant to the 2007 Employees Compensation and Stock Option Plan having an aggregate value of $741,439. We pay $344.00 each month for a disability policy for Mr. Andrews and we pay for a life insurance policy for which his family is the beneficiary. In 2007 the annual premium for the policy was $5,010 and in 2006 it was $2,748.90.

On September 23, 2008 we entered into a new five year employment term sheet agreement with Mr. Andrews as follows: Mr. Andrews's salary will be increased to $180,000 per annum effective September 23, 2008, and will be increased to $225,000 per annum starting September 23, 2009 if the Company has received (i) orders for 6 of our machines or (ii) orders for a minimum purchase value of $24,000,000 (the "Milestone"). Subsequent increases in base salary will be determined by our Chief Executive Officer in consultation with the Board of Directors. Mr. Andrews will also be entitled to receive a bonus of between 0.75% and 1.0% of our estimated profits, payable in a combination of our common stock and cash determined in our discretion, from all revenues we receive for orders exceeding the Milestone. We will pay the bonus each time we receive a payment under an existing order. Mr. Andrews was awarded options to purchase 1,000,000 shares of our common stock at $1.18 per share which will vest in equal installments of 200,000 with the first 200,000 vesting immediately upon approval of the amendment of the Company's stock option plan authorizing an increase in the number of options available for issuance under the plan and an additional 200,000 vesting on September 23, 2009 and on each anniversary thereafter for the next three years. Each installment of options will be exercisable for 10 years from the respective vesting dates. Mr. Andrews will be provided with medical, dental, group life and long term disability insurance. We will pay the premium for a $1,500,000 term life insurance policy for Mr. Andrews, the proceeds of which will be paid to Mr. Andrews's family. If Mr. Andrews resigns voluntarily during the 5 year term, then we will pay him only the salary and Milestone bonus earned to the date of resignation, and he will retain only the options that have vested to that date. If we: (i) relocate to a geographic area unacceptable to Mr. Andrews, (ii) eliminate his position as a result of our sale, reorganization or restructuring, (iii) cease to exist as the Company or (iv) terminate the agreement before the end of the 5 year term, then: (i) we will pay Mr. Andrews his then current salary and benefits until the first to occur of (x) 1 year from termination or (y) his acceptance of another position of employment, (ii) all remaining options will vest immediately and (iii) all earned Milestone bonuses will be paid in full.

Mr. Kimberly, the President, initially was employed pursuant to a term sheet executed on November 4, 2007 outlining the terms of his employment under which Mr. Kimberly commenced his employment on February 11, 2008. The initial term of employment under the term sheet is five years. The Company paid Mr. Kimberly a signing bonus of $100,000 in connection with his execution of the term sheet. Initially, Mr. Kimberly received a base salary of $200,000 per annum which was increased to $225,000 on August 11, 2008, the sixth month anniversary of his start date on February 11, 2008. Initially, Mr. Kimberly also was eligible to receive a yearly performance bonus to be paid in shares of our common stock issued under the Company 2008 Employees Compensation Plan in accordance with the following schedule: (a) up to 50,000 shares for fiscal 2008; (b) up to 40,000 shares for fiscal 2009; (c) up to 35,000 shares for fiscal 2010; (d) up to 35,000 shares for fiscal 2011; and (e) up to 35,000 shares for fiscal 2012. The number of shares to be issued for each fiscal year bonus and the performance criteria for such bonus was to be established by our Board of Directors. However, on September 23, 2008 the Company and Mr. Kimberly entered into a new employment agreement, and as part of the new arrangement, the bonus plan was eliminated.

On September 23, 2008 we entered into a new five year employment term sheet agreement with Mr. Kimberly as follows: Mr. Kimberly's salary will be increased to $300,000 per annum effective January 1, 2009, and will be increased to $375,000 per annum starting January 1, 2010 if the Company has received (i) orders for 6 of our machines or (ii) orders for a minimum purchase value of $24,000,000 (the "Milestone"). Subsequent increases in base salary will be determined by the Chief Executive Officer in consultation with the Board of Directors. Mr. Kimberly will also be entitled to receive a bonus of between 0.75% and 1.0% of our estimated profits, payable in a combination of our common stock and cash determined in our discretion, from all revenues we receive for orders exceeding the Milestone. We will pay the bonus each time we receive a payment under an existing order. Mr. Kimberly was awarded options to purchase 1,500,000 shares of our common stock at $1.18 per share which will vest in equal installments of 300,000 with the first 300,000 vesting immediately upon approval of the amendment of the Company’s stock option plan authorizing an increase in the number of options available for issuance under the plan and an additional 300,000 vesting on September 23, 2009 and on each anniversary thereafter for the next three years. Each installment of options will be exercisable for 10 years from the respective vesting dates. We will pay the premium for a $2,000,000 term life insurance policy for Mr. Kimberly, the proceeds of which will be divided equally between the Company and Mr. Kimberly's family. If Mr. Kimberly resigns voluntarily during the 5 year term, then we will pay him only the salary and Milestone bonus earned to the date of resignation, and he will retain only the options that have vested to that date. If we: (i) relocate to a geographic area unacceptable to Mr. Kimberly, (ii) eliminate his position as a result of our sale, reorganization or restructuring, (iii) cease to exist as the Company or (iv) terminate the agreement before the end of the 5 year term, then: (i) we will pay Mr. Kimberly his then current salary and benefits until the first to occur of (x) 1 year from termination or (y) his acceptance of another position of employment, (ii) all remaining options will vest immediately and (iii) all earned Milestone bonuses will be paid in full.

During the two year period commencing February 11, 2008, we will make monthly car payments to Mr. Kimberly in the amount of $509.88. At the end of such two year period, the Company will pay to Mr. Kimberly the amount equal to (a) the balance of his auto loan for his current automobile and (b) the amounts paid for such auto loan by Mr. Kimberly prior to February 11, 2008. The Company has also paid Mr. Kimberly a relocation package which consists of (i) the cost of a moving company to pack and move Mr. Kimberly's household to New Jersey, (ii) temporary housing costs until he acquires a home in New Jersey and (iii) the expense for travel to and from Illinois on weekends until Mr. Kimberly's family relocates. Mr. Kimberly will be provided with medical, dental, group life and long term disability insurance. Mr. Kimberly will receive three weeks paid vacation per year increasing to four weeks per year beginning in 2009.

Mr. Koehl, the Chief Operating Officer of the Company until April 17, 2009, was employed pursuant to an unwritten agreement under which Mr. Koehl commenced his employment on May 15, 2008. The initial term of employment was five years. Initially Mr. Koehl received a base salary of $160,000 per annum which was increased to $200,000 on November 5, 2008. Mr. Koehl also participated in the Company's benefit plans and received an automobile allowance.

The Company paid Mr. Koehl a bonus of 100,000 shares of our common stock at the time of commencement of his employment which the Company repurchased for $100,000 from Mr. Koehl as part of a new employment agreement entered into between the Company and Mr. Koehl on September 23, 2008.

On September 23, 2008 we entered into a five year employment term sheet agreement (the "Employment Agreement") with Mr. Koehl as follows: Mr. Koehl's salary was to be increased to $225,000 per annum effective January 1, 2009 and further increased to $250,000 per annum upon the first to occur of (i) our receipt of orders for 6 of our machines or (ii) orders for a minimum purchase value of $24,000,000 (the "Milestone"). Pursuant to the employment agreement, Mr. Koehl was also to be entitled to receive a bonus of between 0.75% and 1.0% of our estimated profits, payable in a combination of our common stock and cash determined in our discretion, from all revenues we receive for orders exceeding the Milestone. Mr. Koehl was also awarded options to purchase 1,000,000 shares of our common stock at $1.18 per share to vest in equal installments of 200,000, with the first 200,000 vesting immediately upon approval of the amendment of the Company's stock option plan authorizing an increase in the number of options available for issuance under the plan and an additional 200,000 vesting on September 23, 2009 and on each anniversary thereafter for the next three years, provided Mr. Koehl was employed by the Company at each such anniversary. Each installment of options was to be exercisable for 10 years from the respective vesting dates. Further, pursuant to the Employment Agreement, Mr. Koehl was provided with medical, dental, group life and long term disability insurance and we paid the premium for a $2,000,000 term life insurance policy for Mr. Koehl. Pursuant to the Employment Agreement, if Mr. Koehl was to resign voluntarily during the 5 year term, then we were to pay him only the salary and Milestone bonus earned to the date of resignation, and he would retain only the options that have vested to that date. If we were to: (i) relocate to a geographic area unacceptable to Mr. Koehl, (ii) eliminate his position as a result of our sale, reorganization or restructuring, (iii) cease to exist as the Company or (iv) terminate the agreement before the end of the 5 year term, then: (i) we were to pay Mr. Koehl his then current salary and benefits until the first to occur of (x) 1 year from termination or (y) his acceptance of another position of employment, (ii) all remaining options were to vest immediately and (iii) all earned Milestone bonuses were to be paid in full.

In connection with Mr. Koehl's retirement from the Company on April 17, 2009, the Company agreed that an additional 200,000 options were vested (upon approval of an increase in the number of options available for issuance under the plan and in addition to the 200,000 already vesting immediately upon such approval) and the remaining 600,000 options were forfeited. Further, in connection with his retirement, the Company agreed to continue to pay Mr. Koehl his then current salary for a period of six months and two weeks and to pay him the Milestone bonus on sales that may be made to one specific potential customer.

Outstanding Equity Awards At Fiscal Year-End

The following table sets forth information with respect to equity awards outstanding at the conclusion of the fiscal year ended December 31, 2008 for each of the named executive officers:

	Options Awards						Stock Awards		
Name	Number of securities underlying unexercised options (#) exercisable	Number of securities underlying unexercised options (#) unexercisable	Equity incentive plan awards: Number of securities underlying unexercised unearned options (#)	Option exercise price ($)	Option expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not Vested ($)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)