

Planet Resource Recovery, Inc.
Consolidated Financial Statements
As of December 31, 2009 and 2008 and
For the Years Ended December 31, 2009 and 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Planet Resource Recovery, Inc.
Houston, Texas

We have audited the accompanying consolidated balance sheets of Planet Resource Recovery, Inc. as of December 31, 2009 and 2008 and the related consolidated statements of operations, stockholders' deficit, and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Planet Resource Recovery, Inc. as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years ended December 31, 2009 and 2008 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has an accumulated deficit and negative working capital as of December 31, 2009 and has incurred losses for the years ended December 31, 2009 and 2008 which raises substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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Houston, Texas
August 25, 2010

PLANET RESOURCE RECOVERY, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

<i>ASSETS</i>	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,030	\$ 16,685
Accounts receivable	4,177	9,272
Inventories	6,425	16,532
Prepaid expenses and other current assets	73,985	4,039
Total current assets	<u>95,617</u>	<u>46,528</u>
PROPERTY AND EQUIPMENT, net	87,919	114,896
OTHER ASSETS, net	<u>6,112</u>	<u>6,112</u>
Total assets	<u>\$ 189,648</u>	<u>\$ 167,536</u>
<i>LIABILITIES AND STOCKHOLDERS' DEFICIT</i>		
CURRENT LIABILITIES:		
Accounts payable	\$ 937,712	\$ 418,121
Accrued interest	17,020	16,218
Other current liabilities	1,095,963	408,652
Short-term debt	52,294	56,350
Total current liabilities	<u>2,102,989</u>	<u>899,341</u>
LONG-TERM LIABILITIES:		
Long-term debt	19,767	23,040
Long-term debt - related party	83,520	101,425
Total liabilities	<u>2,206,276</u>	<u>1,023,806</u>
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' DEFICIT		
Preferred stock, \$.001 par value, authorized 10,000,000 shares, authorized 500,000 Series A shares; issued and outstanding: 19,759 Series A shares	20	20
Common stock, \$.001 par value, authorized 450,000,000 shares; issued and outstanding: 115,755,459 shares and 97,647,643 shares, respectively	115,755	97,647
Additional paid-in capital	3,706,958	2,489,805
Accumulated deficit	(5,839,361)	(3,443,742)
Total stockholders' deficit	<u>(2,016,628)</u>	<u>(856,270)</u>
Total liabilities and stockholders' deficit	<u>\$ 189,648</u>	<u>\$ 167,536</u>

See accompanying notes to consolidated financial statements.

PLANET RESOURCE RECOVERY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES	\$ 45,258	\$ 139,146
COST OF REVENUES	<u>21,632</u>	<u>30,324</u>
Gross profit	23,626	108,822
OPERATING EXPENSES:		
Selling, general and administration	2,175,620	1,134,246
Research and development	<u>219,900</u>	<u>209,598</u>
Loss from operations	(2,371,894)	(1,235,022)
OTHER EXPENSES:		
Interest expense	<u>(23,725)</u>	<u>(70,322)</u>
Net loss	<u>\$ (2,395,619)</u>	<u>\$ (1,305,344)</u>
Loss per common share - basic and diluted	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	106,355,942	92,671,059

See accompanying notes to consolidated financial statements.

PLANET RESOURCE RECOVERY, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>PREFERRED STOCK</u>		<u>COMMON STOCK</u>		<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>ACCUMULATED DEFICIT</u>	<u>TOTAL</u>
	<u>SHARES</u>	<u>AMOUNT</u>	<u>SHARES</u>	<u>AMOUNT</u>			
Balance at December 31, 2007	—	\$ —	84,846,982	\$ 84,847	\$ 603,652	\$ (2,138,398)	\$ (1,449,899)
Issuance of preferred stock for debt conversion	19,759	20	—	—	1,152,009	—	1,152,029
Issuance of common stock for cash	—	—	9,431,445	9,431	695,398	—	704,829
Issuance of common stock for debt conversion	—	—	3,369,216	3,369	38,746	—	42,115
Net loss	—	—	—	—	—	(1,305,344)	(1,305,344)
Balance at December 31, 2008	19,759	20	97,647,643	97,647	2,489,805	(3,443,742)	(856,270)
Issuance of common stock for services	—	—	2,273,896	2,274	266,037	—	268,311
Issuance of common stock for cash	—	—	15,833,920	15,834	951,116	—	966,950
Net loss	—	—	—	—	—	(2,395,619)	(2,395,619)
Balance at December 31, 2009	<u>19,759</u>	<u>\$ 20</u>	<u>115,755,459</u>	<u>\$ 115,755</u>	<u>\$ 3,706,958</u>	<u>\$ (5,839,361)</u>	<u>\$ (2,016,628)</u>

See accompanying notes to consolidated financial statements.

PLANET RESOURCE RECOVERY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES:		
Net loss	\$ (2,395,619)	\$ (1,305,344)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	38,233	35,706
Bad debt expense	12,813	9,743
Stock-based compensation	268,311	—
Changes in operating assets and liabilities:		
Accounts receivable	(7,718)	(10,945)
Inventories	10,107	(3,855)
Prepaid expenses and other current assets	(69,946)	(246)
Other assets	—	(6,112)
Accounts payable	588,561	529,836
Accounts payable - related party	—	3,500
Other current liabilities	618,341	(268,573)
Accrued interest	802	121,645
Net cash used in operating activities	<u>(936,115)</u>	<u>(894,645)</u>
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	<u>(11,256)</u>	<u>(32,607)</u>
Net cash used in investing activities	<u>(11,256)</u>	<u>(32,607)</u>
FINANCING ACTIVITIES:		
Borrowings on line of credit	700	50,000
Borrowings on notes payable	—	24,891
Repayment of notes payable	(8,029)	(6,957)
Borrowings on notes payable – related party	22,652	221,342
Repayment of notes payable – related party	(40,557)	(58,250)
Proceeds from common stock issuances	966,950	704,829
Net cash provided by financing activities	<u>941,716</u>	<u>935,855</u>
Net increase/(decrease) in cash and cash equivalents	(5,655)	8,603
CASH AND CASH EQUIVALENTS, at beginning of year	<u>16,685</u>	<u>8,082</u>
CASH AND CASH EQUIVALENTS, at end of year	<u>\$ 11,030</u>	<u>\$ 16,685</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Common stock issued for conversion of debt	\$ —	\$ 42,115
Series A Preferred Shares issued for conversion of debt	\$ —	\$ 1,152,029

See accompanying notes to consolidated financial statements.

Planet Resource Recovery, Inc.
Notes to Consolidated Financial Statements

Note 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations and Principles of Consolidation – Planet Resource Recovery, Inc. (the “Company”) was incorporated under the laws of the State of Nevada on June 1, 2004. On February 15, 2007, American Biodiesel Fuels Corp. (formerly known as Technology Logistics Systems, Inc.), a development stage corporation, (“ABFC”), acquired 100% of the issued and outstanding common stock of Planet Resource from the Planet Resource shareholders in exchange for the issuance of 71,970,211 shares of common stock pursuant to that certain merger and share exchange agreement. At the closing, ABFC amended its articles of incorporation and changed its name to Planet Resource Recovery, Inc.

The Company incorporated two subsidiaries, Raptor Ventures, LLC (“Raptor”) and Oil Recovery Ventures, LLC (“ORV”), both limited liability companies formed under the laws of Texas in 2007. Both Raptor and ORV are wholly owned subsidiaries of Planet Resource Recovery, Inc. ORV assists in the Company’s oil technologies research and Raptor was inactive during the years ended December 31, 2009 and 2008.

The Company’s primary business is the development, manufacture and sale of environmentally friendly specialized chemical products with applications in several industries and markets. Current products include the Petroluxus line of chemical products for the oil industry and related products.

Principles of Consolidation – The consolidated financial statements include accounts of the Company and its wholly owned subsidiary, Oil Recovery Ventures, LLC, and its currently inactive wholly owned subsidiary, Raptor Ventures, LLC. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes during the reporting years. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

Cash and Cash Equivalents – The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Receivables and Credit Policies – Accounts receivable are uncollateralized customer obligations due under normal trade terms. Payments on accounts receivable are allocated to the specific invoices identified on the customer’s remittance advice, or if unspecified, are applied to the earliest unpaid invoices. The Company’s management assesses significant individual accounts and notes receivable and accounts and notes receivable as a whole for collectability. The

Company's allowance for doubtful accounts is an estimate based on specifically identified accounts. The Company evaluates specific accounts where it has information that the customer may have an inability to meet its financial obligations. In these cases, management uses its judgment, based upon the best available facts and circumstances, and records a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. For the years ended December 31, 2009 and 2008, the Company recorded bad debt expense of \$12,813 and \$9,743, respectively. As of December 31, 2009 and 2008, the Company determined that all of its remaining accounts receivable were collectible; therefore, the Company did not provide for any allowance for doubtful accounts.

Inventories – Inventories are stated at the lower of cost, determined by the first-in first-out method, or market. Costs of inventories include purchase and related costs incurred in bringing the products to their present condition. Market value is determined by reference to selling prices after the balance sheet date or to management's estimates based on prevailing market conditions. The Company writes down the inventories to market value if it is below cost. The Company also regularly evaluates the composition of its inventories to identify slow-moving and obsolete inventories to determine if valuation allowance is required.

Property and Equipment – Property and equipment are recognized and recorded at cost less accumulated depreciation. Depreciation expense is computed by the straight-line method over the estimated useful life of the related assets, which range from three to ten years. Depreciation expense is not included in the cost of sales. Gains or losses on disposals are reflected as gain or loss in the period of disposal. The cost of improvements that extend the life of property and equipment are capitalized. These capitalized costs may include structural improvements, equipment and fixtures. All ordinary repairs and maintenance costs are expensed as incurred.

Income taxes – The Company uses the liability method of accounting for income taxes. Under this method, deferred income taxes are recorded to reflect the tax consequences on future years of temporary differences between the tax basis of assets and liabilities and their financial amounts at year-end. The Company provides a valuation allowance to reduce deferred tax assets to their net realizable value.

Fair Value of Financial Instruments – The Company uses the three-level valuation hierarchy for disclosures of fair value measurement. Current assets and current liabilities qualified as financial instruments and management believes their carrying amounts are a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization, and if applicable, their current interest rate is equivalent to interest rates currently available. The three levels are defined as follow:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instruments.

- Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value.

As of the balance sheet date, the estimated fair values of the financial instruments were not materially different from their carrying values as presented due to the short maturities of these instruments and the interest rates on the borrowings approximate those that would have been available for loans with similar remaining maturity and risk profile at respective period-ends. Determining which category an asset or liability falls within the hierarchy requires significant judgment. The Company evaluates the hierarchy disclosures each quarter.

Revenue Recognition – The Company recognizes revenue when all of the following criteria are met: 1) a contract or sales arrangement exists, the buyer is obligated to pay and such obligation would not be changed in the event of theft or physical destruction or damage of the product; 2) products have been shipped and title has been transferred or services have been rendered; 3) the price of the products is fixed or determinable; 4) no further obligation exists on the part of the Company; and 5) collectability is reasonably assured.

Research and Development – Our products are the result of research and development expenditures. The Company's policy is to expense any research and development costs as they are incurred. The Company incurred research and development costs of \$219,900 and \$209,598 for the years ended December 31, 2009 and 2008, respectively.

Stock-based Compensation – The Company sometimes grants shares of stock for goods and services and in conjunction with certain agreements. These grants are accounted for based on the grant date fair values. The Company provides compensation costs for our stock options granted based on estimated fair values.

The Company periodically issues options and warrants to purchase stock at a price which may be higher or lower than the strike price of the stock on the grant date. The fair value of the options and warrants issued is estimated at the date of the grant using the Black-Scholes pricing model. The Company recognizes the expense over the vesting period of the options and warrants.

Basic and Diluted Earnings (Loss) Per Share – Basic earnings (loss) per share is computed using the weighted average number of shares of common stock outstanding during each period. Diluted earnings per share includes the dilutive effects of common stock equivalents on an “as if converted” basis. Potential shares from options and warrants to purchase common stock were calculated using the treasury stock method. For 2009 and 2008, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

The following table sets forth the computation for basic and diluted earnings per share:

	2009	2008
Net loss available to common shareholders	\$ (2,395,619)	\$ (1,305,344)
Numerator for basic and diluted earnings per share	(2,395,619)	(1,305,344)
Denominator for basic earnings per share — weighted average share		
Common shares outstanding	106,355,942	92,671,059
Denominator for diluted earnings per share – adjusted weighted average shares after assumed conversion	106,355,942	92,671,059
Basic and diluted earnings per common share	\$ (0.02)	\$ (0.01)

Potentially dilutive securities include outstanding warrants and the preferred shares. As of December 31, 2009 and 2008, there were 2,500,000 warrants outstanding and 19,759 Series A convertible preferred shares outstanding convertible into 59,277,000 shares of common stock that would result in approximately 59,697,000 and 35,091,132 weighted average common shares, respectively, in connection with these potentially dilutive securities. These potentially dilutive securities were excluded from the computations of diluted net loss per share for both years because their effect would have been anti-dilutive.

Advertising – The Company expenses advertising costs as incurred. Advertising expense approximated \$3,641 and \$135 in 2009 and 2008, respectively.

Subsequent Events – The Company has evaluated all transactions through the issuance date of the financial statements for subsequent event disclosure consideration.

Recently Issued Accounting Standards

In May 2009, the FASB issued a new accounting standard regarding subsequent events. This standard incorporates into authoritative accounting literature certain guidance that already existed within generally accepted auditing standards, with the requirements concerning recognition and disclosure of subsequent events remaining essentially unchanged. This guidance addresses events which occur after the balance sheet date but before the issuance of financial statements. Under the new standard, as under previous practice, an entity must record the effects of subsequent events that provide evidence about conditions that existed at the balance sheet date and must disclose but not record the effects of subsequent events which provide evidence about conditions that did not exist at the balance sheet date. This standard added an additional required disclosure relative to the date through which subsequent events have been evaluated and whether that is the date on which the financial statements were issued. For the Company, this standard was effective beginning April 1, 2009.

In June 2009, the Financial Accounting Standards Board (“FASB”) issued a standard that established the FASB Accounting Standards Codification (“ASC”) and amended the hierarchy of generally accepted accounting principles (“GAAP”) such that the ASC became the single source of authoritative nongovernmental U.S. GAAP. The ASC did not change current U.S. GAAP, but was intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All previously existing accounting standard documents were superseded and all other accounting literature not included

in the ASC is considered non-authoritative. New accounting standards issued subsequent to June 30, 2009 are communicated by the FASB through Accounting Standards Updates (“ASUs”). The Company adopted the ASC on July 1, 2009. This standard did not have an impact on the Company’s consolidated results of operations or financial condition.

In August 2009, the FASB issued ASU No. 2009-05, *Measuring Liabilities at Fair Value*, which provides additional guidance on how companies should measure liabilities at fair value under ASC 820. The ASU clarifies that the quoted price for an identical liability should be used. However, if such information is not available, a entity may use the quoted price of an identical liability when traded as an asset, quoted prices for similar liabilities or similar liabilities traded as assets, or another valuation technique (such as the market or income approach). The ASU also indicates that the fair value of a liability is not adjusted to reflect the impact of contractual restrictions that prevent its transfer and indicates circumstances in which quoted prices for an identical liability or quoted price for an identical liability traded as an asset may be considered Level 1 fair value measurements. The ASU was effective October 1, 2009. The adoption of this standard did not have a material impact on the Company’s consolidated financial position or results of operations.

In addition to the pronouncements noted above, there were various other accounting standards and interpretations issued recently, none of which are expected to have a material impact on the Company’s consolidated results of operations or financial condition.

Note 2 – GOING CONCERN

As shown in the accompanying consolidated financial statements, the Company incurred net losses of \$2,395,619 and \$1,305,344 for the years ended December 31, 2009 and 2008, respectively, and had an accumulated deficit of \$5,839,361 and negative working capital of \$2,007,372 as of December 31, 2009. These conditions raise substantial doubt as to our ability to continue as a going concern. The consolidated financial statements contained herein do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should we be unable to continue as a going concern.

Our ability to continue as a going concern is dependent upon our ability to generate sufficient cash flows to meet our obligations on a timely basis, to obtain additional financing as may be required, and ultimately to attain profitable operations. In order to increase cash flows, the Company’s management is continuing efforts to stimulate sales. Management is also trying to raise additional capital through sales of common stock and convertible debentures. There is no assurance that these funding plans will be realized. Also, there is no assurance that profitable operations or sufficient cash flows from operations will occur in the future.

Note 3 – INVENTORIES

At December 31, 2009 and 2008, inventories consisted of the following:

	2009	2008
Finished goods	\$ 3,660	\$ 11,437
Raw materials	2,765	5,095
Total	<u>\$ 6,425</u>	<u>\$ 16,532</u>

Note 4 – PROPERTY AND EQUIPMENT

At December 31, 2009 and 2008, property and equipment consisted of the following:

	2009	2008
Computers and software	\$ 17,615	\$ 7,582
Lab equipment	28,747	27,715
Automobile	45,450	45,450
Production equipment	90,049	90,399
Leasehold improvements	18,437	17,896
Office furniture and computers	7,572	7,572
Subtotal	207,870	196,614
Accumulated depreciation	(119,951)	(81,718)
Property and equipment, net	<u>\$ 87,919</u>	<u>\$ 114,896</u>

Note 5 – RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008 and in the prior years, the Company's Chief Executive Officer and Chairman of the Board of Directors deferred payment of his salary and made loans to the Company. The loans are convertible to the Company's Preferred Stock at \$60 per share and have an average interest rate of 10% per annum. In May 2008, three notes payable aggregating \$1,051,061 plus accrued interest were converted into 19,759 shares of Series A Preferred Stock of the Company. Balance due to this related party was \$83,520 and \$101,425 at December 31, 2009 and 2008, respectively.

Note 6 – NOTES PAYABLE

Notes payable consisted of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
\$14,727 Vehicle Loan from Chase Auto Finance, matures April 2010, interest rate at 8.84% per annum, secured by one of the Company's vehicle	\$ 2,301	\$ 7,057
\$24,891 Vehicle Loan from Ford Credit, matures March 2013, interest rate at 8.99% per annum, secured by one of the Company's vehicle, paid off during 2010	19,767	23,040
\$50,000 Line of Credit from Frost Bank, matures March 2018, initial interest rate at 1% above Prime (7%) per annum, personally guaranteed by the Company's Chief Executive Officer and Chairman of the Board of Directors	49,993	49,293
Total notes payable	72,061	79,390
Less: current maturities	<u>(52,294)</u>	<u>(56,350)</u>
Long-term portion of notes payable	<u>\$ 19,767</u>	<u>\$ 23,040</u>

Note 7 – INCOME TAXES

At December 31, 2009, the Company had a consolidated net operating loss carry-forward ("NOL") of approximately \$3.7 million expiring over the period from 2028 through 2029. The loss carry forwards are subject to certain limitations under the Internal Revenue Code including Section 382 of the Tax Reform Act of 1986.

The Company conducts a periodic examination of its valuation allowance. Factors considered in the evaluation include recent and expected future earnings and the Company's liquidity and equity positions. As of December 31, 2009 and 2008, the Company has determined that a valuation allowance is necessary for the entire amount of deferred tax assets.

Deferred tax assets are comprised of the following as of December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Deferred tax assets – net operating loss carryforward	\$ 1,295,000	\$ 444,000
Valuation allowance	(1,295,000)	(444,000)
Total deferred tax asset, net	<u>\$ -</u>	<u>\$ -</u>

Accounting for Uncertainty in Income Taxes:

The Company adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2007. The provisions clarify the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with the standard "Accounting

for Income Taxes,” and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The provisions of Accounting for Uncertainty in Income Taxes also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on the Company’s evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements.

The Company may from time to time be assessed interest or penalties by major tax jurisdictions. In the event it receives an assessment for interest and/or penalties, it will be classified in the financial statements as tax expense.

Note 8 – STOCKHOLDERS’ EQUITY

Preferred Stock

The Company has authorized 10,000,000 shares of Preferred Stock to be issued from time to time for such consideration as it may from time to time fix and to cause such Preferred Stock to be issued in series with such voting powers, designations, preferences and relative, participating, optional or other special rights, if any or the qualifications, limitations or restrictions thereof, as designated by the Board of Directors in the resolution providing for the issue for such series. Shares of Preferred Stock of any one series shall be identical in all respects.

The Company has authorized up to 500,000 shares of Series A Preferred Stock at a price of \$60 per share. The holders of the Series A Preferred Stock are entitled to receive (i) 3,000 shares of common stock for each share of Series A Preferred Stock tendered for conversion, (ii) 3,000 times the number of votes to which a holder of the same number of common shares is entitled, (iii) dividends as approved by the Board of Directors. In addition, shares of Series A Preferred Stock are anti-dilutive to reverse splits, and therefore in the case of a reverse split, are convertible to the number of common shares after the reverse split as would have been equal to the 1:3000 ratio prior to the reverse split. Shares of Series A Preferred Stock; however, would participate in forward splits, and may not be diluted by a reverse split following a forward split.

In May 2008, the Chief Executive Officer and Chairman of the Board of Directors converted three notes payable aggregating \$1,051,061 plus the accrued interest of \$100,968 into 19,759 shares of Series A Preferred Stock.

Common Stock

During the year ended December 31, 2009:

The Company issued 15,833,920 shares of common stock for cash proceeds of \$966,950;

The Company issued 2,273,896 shares of common stock for services. These shares were recorded at their grant date fair value of \$268,311.

During the year ended December 31, 2008:

The Company issued 9,431,445 shares of common stock for cash proceeds of \$704,829;

The Company issued 3,369,216 shares of common stock for notes payable and accrued interest conversion. The principal balance plus the accrued interest totaled to \$42,115.

Stock Warrants

During the year ended December 31, 2008, warrants to purchase 2,500,000 shares of common stock at an exercise price of \$0.15 per share were granted to an investor for a cash investment in 250,000 shares of the Company's common stock for \$250,000. These warrants have a term of three years and vested immediately. Fair value of \$625,000 was calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model for warrants issued include (1) discount rate of 2.11%, (2) warrant life of 3 years, (3) expected volatility of 1,706% and (4) zero expected dividends.

During the year ended December 31, 2009, the Company and this investor agreed to amend the terms of these warrants and as a result the Company cancelled and reissued 2,500,000 warrants to this investor. The new exercise price of these warrants is set at \$0.10 per share. The warrants vested upon issuance and will expire if not exercised on or before March 1, 2012.

Under FASB ASC 718, a modification of the terms of an award that makes it more valuable shall be treated as an exchange of the original award for a new award. In substance, the entity repurchases the original instrument by issuing a new instrument of greater value, incurring additional compensation cost for that incremental value. The incremental value shall be measured by the difference between (a) the fair value of the modified option determined in accordance with the provisions of this section and (b) the value of the old option immediately before its terms are modified, determined based on the shorter of (1) its remaining expected life or (2) the expected life of the modified option. Upon re-issuance, an incremental compensation of \$37,201 was calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model for warrants reissued include (1) discount rate of 0.41%, (2) warrant life of 1.21 years, (3) expected volatility of 262% and (4) zero expected dividends. Since these warrants were originally issued with common stock purchases, the incremental compensation cost was not expensed by the Company.

Warrant activities for the years ended December 31, 2009 and 2008 are summarized as follows:

	<u>Number of shares</u>	<u>Weighted- Average Exercise Price</u>
Outstanding at December 31, 2007	-	\$ -
Warrants issued	2,500,000	0.15
Warrants exercised	-	-
Warrants canceled	-	-
Outstanding at December 31, 2008	<u>2,500,000</u>	0.15
Exercisable at December 31, 2008	<u>2,500,000</u>	0.15
Warrants issued	2,500,000	0.10
Warrants exercised	-	-
Warrants canceled	<u>(2,500,000)</u>	0.15
Outstanding at December 31, 2009	<u>2,500,000</u>	0.10
Exercisable at December 31, 2009	<u>2,500,000</u>	0.10

Stock Options

The Company did not grant any options during the years ended December 31, 2009 and 2008 and as of December 31, 2009 and 2008 there were no options issued or outstanding.

Note 9 – COMMITMENTS AND CONTINGENCIES

Rental expense for the operating leases paid during the years ended December 31, 2009 and 2008 approximated \$104,686 and \$89,373, respectively. The following table summarizes the Company's minimum contractual lease obligations for the next five years as of December 31, 2009:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Building lease, Houston, Texas	\$ 75,434	\$ 12,573	-	-	-	\$ 88,007
Building lease, Pearland, Texas	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
	<u>\$ 95,434</u>	<u>\$ 12,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,007</u>

Note 10 – LEGAL MATTERS

Certain claims have been made against the Company by former officers and shareholders of a prior acquisition. The Company has filed a counter-claim and third-party claim against these individuals. The parties have agreed to mediation. The Company does not believe that the legal proceedings will have a material adverse affect on the business, financial condition or operating results of the Company.

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm the Company's business. Except as otherwise disclosed herein, the Company is currently not aware of any such legal proceedings or claims that it believes will have, individually or in the aggregate, a material adverse affect on its business, financial condition or operating results.

Note 11 – SUBSEQUENT EVENTS

Inspar, Leero and Franklin Summary Information

In April 2010, the Company entered into an Asset Purchase Agreement (the "Purchase Agreement") with Inspar Field Services LLC ("Inspar"). Pursuant to the Purchase Agreement, Inspar agreed to sell the Company all of its rights, titles and interests relating to, and intellectual property used in connection with non-corrosive technologies, robotic pipe lining and other pipe lining technologies (the "Technology") then owned by Inspar. The assets were purchased for an aggregate of 18,714,285 shares of the Company's restricted common stock, including 15,000,000 shares issued to the owner of Inspar and 3,714,285 shares issued to various individuals in consideration for such individuals entering into various agreements and agreeing to certain other requirements in connection with the purchase. The value of the shares was \$2,620,000. The Technology and assets purchased in connection with the Purchase Agreement are currently held and operated by Inspar Robotic Technologies, Inc., Planet's wholly-owned subsidiary. The Company is in the process of allocating the purchase price and has initially valued these assets to be approximately the fair value of the common shares issued.

In May 2010, the Company entered into an Amended and Restated Joint Venture Agreement (the "JV Agreement") with Franklin Mining, Inc. ("FMI"), MidWest General of Arizona, LLC ("MidWest") and the Company's wholly-owned subsidiary, Raptor Ventures, LLC ("Raptor"). Pursuant to the JV Agreement, the parties agreed to use certain combined resources for the development of mining properties, including the San Antonio De Turiri Antimony Mine in Bolivia, South America (the "Mine"). Pursuant to the JV Agreement, the operations of the Joint Venture are to be run by Raptor, which will receive a fee of \$10,000 per month from the operations of the Joint Venture in consideration for serving as the manager of the Joint Venture. Any profits or losses of the Joint Venture are allocated 33% to FMI, 34% to the Company and 33% to MidWest, subject to dilution if the Joint Venture is required to raise additional funding. The parties hope to use the Company's proprietary technology to assist in the recovery of precious minerals from the Mine and other mining properties. The parties do not currently have any agreement or commitment for additional cash contributions.

On June 14, 2010, the Company entered into a Licensing Agreement with Lerro Processing Group, LP ("Lerro" and the "Licensing Agreement"). Pursuant to the Licensing Agreement, the Company agreed to provide Lerro a limited license to use certain ultra low sulfur technology of the Company, which technology reduces the sulfur and other impurities in crude oil and petroleum products through the use of a chemical and mechanical process (the "License"). In

consideration for the Company providing the License, the owners of Lerro agreed to make the Company a limited partner of Lerro and a part owner of its general partner, pursuant to which the Company currently holds a 49.50% interest in Lerro (with 1% being held by the general partner and 49.50% being held by other limited partners) and a 50% interest in the general partner of Lerro. As such, it is anticipated that the Company and the other limited partners of Lerro will share 50/50 in any net profit or loss generated through the use of the License. The License is to remain in effect until mutually terminated by the parties, absent a material breach by either party, or the bankruptcy of either.

Common shares, convertible notes and warrants

In 2010, the Company has issued 32,073,059 shares of common stock for cash proceeds of \$1,984,979.

In 2010, the Company has issued 2,563,333 shares of common stock for services. The fair value of these shares was \$327,499.

In 2010, the Company entered into Convertible Promissory Notes with various individuals. These notes bore no interest and were due and payable on or before July 1, 2010. The Conversion, adopted by the Board of Directors required that: i.) holder shall make a demand for conversion on or before July 1, 2010, ii.) conversion shall be for full amount of the note, iii.) no fractional shares shall be issued. Any fractional share shall be redeemed for the proportionate value of the conversion prices ranging from \$0.05 to \$0.22 per share. The Company received \$862,000 in cash proceeds from the notes. The Company issued 11,033,234 common shares for conversion of the notes. Notice of conversion was received prior to the due date on all but one note, with a principal balance of \$10,000, which is currently in default. The Company is negotiating with the investor to extend the terms of the one remaining outstanding note.

On February 10, 2010, the Company issued warrants to purchase 10,000,000 shares of the common stock at an exercise price of \$0.045 per share to MRK Financial ("MRK"), a Colorado corporation, in connection with MRK's purchase of 2,422,222 shares of the Company's common stock. The expiration date of the warrant agreement with MRK was July 2, 2010. MRK exercised its option to purchase the 10,000,000 shares prior to the expiration date, and the Company received proceeds of \$450,000.

Legal Settlements

In April 2010, the Company entered into a settlement and release agreement with Rick L. Burton, the former President of Planet Resource Recovery, Inc., and Rightpath Energy Holdings, LLC regarding certain claims, disputes and disagreements with Mr. Burton and Rightpath Energy Holdings, LLC. The Company issued 2,900,000 shares of the Company's restricted common stock, \$.001 par value per share to resolve the matter. The grant date fair value of the shares issued was \$464,000.

In May 2010, the Company entered into a settlement and release agreement with a prior consultant to the Company regarding certain claims, disputes and disagreements. The Company

issued 500,000 shares of the Company's restricted common stock, \$.001 par value per share to resolve the matter. The grant date fair value of the shares issued was \$200,000.