

**PLANET RESOURCE RECOVERY, INC.**

**FINANCIAL STATEMENTS  
YEARS ENDING**

**FEBRUARY 28, 2009 AND FEBRUARY 29, 2008**

**UNAUDITED**

**I, Kurt E Neubauer, Chairman of Planet Resource Recovery, Inc., hereby certify that the financial statements filed herewith and any notes thereto, fairly present, in all material respects, the financial position, results of operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States, consistently applied.**

**Dated: February 28, 2009**

**/s/ KURT E NEUBAUER**

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**Kurt E Neubauer  
Chairman  
Chief Executive Officer**

**Planet Resource Recovery, Inc.**

**Financial Statements**

**For the Years Ended**

**February 28, 2009 and February 29, 2008**

**Planet Resource Recovery, Inc.**  
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**Planet Resource Recovery, Inc.**  
**Consolidated Balance Sheets**  
**February 28, 2009, and February 29, 2008**

	<b>Assets</b>	<b>2009</b>	<b>2008</b>
		(Not Audited)	(Audited)
Current assets			
Cash and cash equivalents		\$ 230,167	\$ 301,715
Accounts receivable		17,742	40,463
Inventory		14,672	12,677
Other current assets		6,456	1,628
Total current assets		<u>269,037</u>	<u>356,483</u>
Property and equipment, net		104,161	106,959
Other assets		<u>6,112</u>	<u>6,113</u>
Total assets		<u><u>\$ 379,310</u></u>	<u><u>\$ 469,555</u></u>
<b>Liabilities and Shareholders' Deficit</b>			
Current liabilities			
Notes payable-current		\$ 145,244	\$ 162,188
Accounts payable and accrued liabilities		592,802	426,099
Accrued interest		17,020	132,741
Total current liabilities		<u>755,066</u>	<u>721,028</u>
Shareholder notes payable		85,675	1,051,061
Long-term debt, net of current maturities		<u>9,055</u>	<u>6,022</u>
		94,730	1,057,083
Total liabilities		849,796	1,778,111
Shareholders' deficit			
Preferred stock, par value \$.001; 10,000,000 shares authorized; 19,386 and no shares issued and outstanding, respectively		19	-
Common stock; par value \$.001; 450,000,000 shares authorized; 103,402,642 and 92,346,982 shares issued and outstanding, respectively		103,401	92,346
Additional paid-in capital		2,898,038	1,044,530
Accumulated deficit		<u>(3,471,944)</u>	<u>(2,445,432)</u>
Total shareholders' deficit		<u>(470,486)</u>	<u>(1,308,556)</u>
Total liabilities and stockholders' equity		<u><u>\$ 379,310</u></u>	<u><u>\$ 469,555</u></u>

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

**Planet Resource Recovery, Inc.**  
**Consolidated Statements of Operations**  
**For the Years Ended February 28, 2009, and February 29, 2008**

	<b>2009</b> (Not Audited)	<b>2008</b> (Audited)
Revenues	\$ 147,145	\$ 51,450
Cost of sales	<u>56,092</u>	<u>18,074</u>
Gross profit (loss)	91,053	33,376
Operating expenses		
Research and development expenses	201,738	245,685
General and administrative expenses	830,808	894,431
Depreciation expense	<u>40,563</u>	<u>38,839</u>
Total operating expenses	<u>1,073,109</u>	<u>1,178,955</u>
Operating income (loss)	(982,056)	(1,145,579)
Other income (expense)		
Interest expense	<u>(44,456)</u>	<u>(93,236)</u>
Total other income (expense)	(44,456)	(93,236)
Income (loss) from continuing operations before income taxes	(1,026,512)	(1,238,815)
Provision (benefit) from income taxes	<u>-</u>	<u>-</u>
Income (loss) from continuing operations	(1,026,512)	(1,238,815)
Discontinued operations		
Loss from Rada Technologies to February 29, 2008	<u>-</u>	<u>(397,756)</u>
Total discontinued operations	<u>-</u>	<u>(397,756)</u>
Net income (loss)	<u>\$ (1,026,512)</u>	<u>\$ (1,636,571)</u>

**Planet Resource Recovery, Inc.****Consolidated Statement of Changes in Stockholders' Equity**

Not Audited	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Assets	Amount	Shares	Amount	Paid In Capital	Deficit	
Balance at February 28, 2007	-	\$ -	78,355,198	\$ 78,355	\$ 2,476	\$ (808,861)	\$ (728,030)
Issuance of common stock for cash	-	-	8,196,952	8,197	734,603	-	742,800
Issuance of common stock for services	-	-	1,201,135	1,201	118,913	-	120,114
Issuance of common stock for Rada purchase	-	-	1,550,000	1,550	153,450	-	155,000
Issuance of common stock for debt conversions	-	-	3,043,697	3,043	35,088	-	38,131
Net income (loss)	-	-	-	-	-	(1,636,571)	(1,636,571)
Balance at February 29, 2008	-	\$ -	92,346,982	\$ 92,346	\$ 1,044,530	\$ (2,445,432)	\$ (1,308,556)
Issuance of common stock for cash	-	-	7,486,444	7,486	637,444	-	644,930
Issuance of common stock for services	-	-	200,000	200	13,800	-	14,000
Issuance of common stock for debt conversion	-	-	3,369,216	3,369	38,746	-	42,115
Issuance of preferred stock for debt conversions	19,392	19	-	-	1,163,518	-	1,163,537
Net income (loss)	-	-	-	-	-	(1,026,512)	(1,026,512)
Balance at February 28, 2009	19,392	\$ 19	<u>103,402,642</u>	<u>103,401</u>	<u>2,898,038</u>	<u>(3,471,944)</u>	<u>(470,486)</u>

**Planet Resource Recovery, Inc.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended February 28, 2009, and February 29, 2008**

	<u>2009</u>	<u>2008</u>
	(Not Audited)	(Audited)
<b>Cash Flows Provided From Operating Activities</b>		
Net income (loss)	\$ (1,026,512)	\$ (1,636,571)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Impairment of goodwill	-	268,291
Depreciation expense	40,563	38,839
Compensation expense	14,000	120,114
Changes in assets and liabilities:		
Accounts receivables	22,721	6,563
Inventories	(1,995)	(9,300)
Other current assets	(4,828)	(1,628)
Other assets	-	(6,113)
Accounts payable and accrued expenses	120,147	314,410
Accrued interest	32,060	104,783
Net cash provided by operating activities	<u>(803,844)</u>	<u>(800,612)</u>
Cash flows from investing activities:		
Cash acquired from acquisition	-	27,112
Capital expenditures	<u>(37,764)</u>	<u>(21,892)</u>
Net cash used by investing activities	<u>(37,764)</u>	<u>5,220</u>
Cash flows from financing activities		
Borrowings under note payable agreements	125,130	435,460
Proceeds from common stock issuances	644,930	742,800
Principal payments of long-term debt, net	<u>-</u>	<u>(84,204)</u>
Net cash provided by financing activities	<u>770,060</u>	<u>1,094,056</u>
Net increase (decrease) in cash and cash equivalents	(71,548)	298,664
Cash and cash equivalents, beginning of period	<u>301,715</u>	<u>3,051</u>
Cash and cash equivalents, end of period	<u><u>\$ 230,167</u></u>	<u><u>\$ 301,715</u></u>

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2009 AND FEBRUARY 29, 2008**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Description of Business**

Planet Resource Recovery Corp. ("Planet Resource" or 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. The Planet Resource shareholders received a majority of the common stock of ABCF; accordingly, the reorganization of Planet Resource into ABCF was accounted for as the recapitalization of Planet Resource at historical cost. The accompanying consolidated financial statements include the historical operations of Planet Resource and have been restated on a retroactive basis to reflect the 71,970,211 shares of ABCF's common stock issued to the Planet Resource shareholders for all periods presented. In connection with the recapitalization of Planet Resource, ABCF changed its name to Planet Resource Recovery, Inc. All references herein to Planet Resource or the Company refer to Planet Resource Recovery Corp. prior to February 15, 2007 and to Planet Resource Recovery, Inc. and subsidiaries thereafter.

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

**Principles of Consolidation**

The consolidated financial statements include the accounts of Planet Resource and its wholly-owned subsidiary RADA Technologies, Inc. and currently inactive subsidiaries, Oil Recovery Ventures, LLC and Raptor Ventures, LLC. All intercompany transactions and accounts have been eliminated in consolidation.

**Use of Estimates**

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires Planet Resource to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an on-going basis, Planet Resource evaluates its estimates, including those related to warrant values, bad debts, inventories, intangible assets, contingencies and litigation. Planet Resource bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**Revenue Recognition**

The Company's primary source of revenue is from the sales of its products. The Company recognizes revenue upon shipment and transfer of title.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
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**Inventories**

Inventories are valued at the lower of cost (first-in, first-out method) and consist of raw materials of \$14,672 and \$12,677 as of February 28, 2009 and February 29, 2008.

**Allowance for Doubtful Accounts**

The Company routinely monitors and assesses the collectability of its accounts and note receivable. The Company uses its historical experience to determine its accounts receivable reserve. The Company's allowance for doubtful accounts is an estimate based on specifically identified accounts as well as general reserves. 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. At February 28, 2009 and February 29, 2008, management believes all accounts receivable are fully collectible.

**Property and Equipment**

Property and equipment are stated at cost. Depreciation has been calculated over the estimated useful lives of the assets ranging from 2 to 5 years. Leasehold improvements are amortized over the lives of the respective leases, which are shorter than the useful life. The cost of maintenance and repairs is expensed as incurred. Depreciation and amortization expense for the years ended February 28, 2009, and February 29, 2008 was \$40,563 and \$38,839 respectively.

**Goodwill**

The Company capitalized goodwill related to the acquisition of RADA Technologies, Inc. in July, 2007. Goodwill represents cost in excess of fair value on the net assets acquired. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life).

Based on impairment testing performed, the Company determined that the recorded amount of goodwill of \$268,291 related to the RADA Technologies segment was fully impaired at February 29, 2008. Accordingly, the Company recorded an impairment charge of \$268,291 during the year ended February 29, 2008 (Note 4).

**Research & 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 \$201,738 and \$245,685 for the fiscal years ended February 28, 2009, and February 29, 2008 respectively.

**Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, accounts receivable, note and loan receivable, inventory, accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these instruments.

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
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### **Accounting for Long-Lived Assets**

The Company's long-lived assets include property and equipment.

In accordance with SFAS 144, long-lived assets other than goodwill are reviewed on a periodic basis for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

### **Income Taxes**

The Company and its subsidiaries file a consolidated federal income tax return under the accrual method of accounting.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. When management determines that it's more than likely that a deferred tax asset will not be realized, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. Deferred tax expense or benefit is the result of changes in deferred tax assets and liabilities during the period. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date.

### **Recently Issued Accounting Standards**

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, Fair Measurements ("SFAS 157"), which clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants. Further, the standard establishes a framework for measuring fair value in generally accepted accounting principles and expands certain disclosures about fair value investments. SFAS 157 is effective for fiscal years beginning after November 15, 2007. The Company does not expect the adoption of SFAS 157 to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year misstatements when Quantifying Misstatements in Current Year Financial Statements ("SAB 108"). SAB 108 provides guidance on how prior year misstatements should be taken into consideration when quantifying misstatements in current year financial statements for purposes of determining whether the current year's financial statements are materially misstated. SAB 108 is effective for fiscal years ending November 16, 2006. The Company has determined that the provisions of SAB 108 do not have a material impact on its consolidated financial position, results of operations and cash flows.

### **Concentrations of Risk**

#### *Cash and Cash Equivalents*

The Company maintains cash balances at financial institutions insured up to \$100,000 by the Federal Deposit Insurance Corporation. Balances exceeded these insured amounts during the year.

#### *Accounts and Notes Receivable*

Credit losses, if any, have been provided for in the consolidated financial statements and are based on management's expectations.

### **Not Audited**

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
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### **Stock Based Compensation**

The Company recognizes stock-based compensation in accordance with the fair value recognition provisions of SFAS No. 123(R), "Share-Based Payment." SFAS No. 123(R) generally requires share-based payments to employees, including grants of employee stock options and other equity awards, to be recognized in the statement of operations based on their fair values. Thus, the Company records compensation expense for all share-based awards granted, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). The Company adopted SFAS 123(R) using the modified prospective method, which requires that compensation expense for the portion of awards for which the requisite service has not yet been rendered and that are outstanding as of the adoption date be recorded over the remaining service period. Prior to the adoption of SFAS No. 123(R), the Company had no share-based compensation arrangements. Accordingly, no prior periods have been restated, the impact of SFAS 123(R) is not presented, and no pro forma amounts are presented had the Company recognized stock-based compensation in accordance with SFAS No. 123(R).

Stock-based compensation expense recognized during the period is based on the value of the stock-based payment awards that is ultimately expected to vest. SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

### **Per Share Data**

SFAS No. 128 establishes standards for computing and presenting earnings per share ("EPS"). The standard requires the presentation of basic EPS and diluted EPS. Basic EPS is calculated by dividing income/loss available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is calculated by dividing income/loss available to common shareholders by the weighted average number of common shares outstanding adjusted to reflect potentially dilutive securities. Diluted loss per share for the years ended February 28, 2009, and February 29, 2008, does not include stock options, warrants and convertible preferred stock since the inclusion would have been antidilutive.

## **2. BUSINESS CONDITION**

The Company generated revenue of \$147,145 and \$51,450, respectively from sales of products for the year end February 28, 2009 and February 29, 2008. Through February 28, 2009 and February 29, 2008, the Company had accumulated losses of \$3,471,944 and \$2,445,432, respectively and used \$803,844 and \$800,612 respectively of cash in operating activities, respectively. At February 28, 2009, the Company had a working capital deficiency of \$406,522. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amount of liabilities that might be necessary should the Company be unable to continue as a going concern.

Our continued existence is dependent upon several factors, including increased sales volumes and the ability to achieve profitability and cash flows from the sale of our product lines. In order to increase our cash flow, we are continuing our efforts to stimulate sales and cut back expenses not directly supporting our sales and marketing efforts. There is no assurance these plans will be realized.

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
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**3. ACQUISITION OF AMERICAN BIODIESEL FUELS CORP.**

Prior to the reorganization of Planet Resource, ABFC had 6,384,987 shares of common stock outstanding. The reverse acquisition of ABFC was recognized by Planet Resource as the constructive issuance of the 6,384,987 shares of common that remained outstanding. The consolidated financial statements include the operations of ABFC from February 15, 2007. At the date of acquisition, ABFC was a development stage enterprise; therefore, the shares constructively issued to the ABFC shareholders were recognized at the fair value of net liabilities assumed on the date of the acquisition. The net liabilities assumed consisted of the following:

Long term debt, current	\$ (89,000)
Accrued interest	(15,808)
	<hr/>
Net Liabilities Assumed	\$ (104,808)
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**4. ACQUISITION OF RADA TECHNOLOGIES, INC.**

On or around May 15, 2007, the Company entered into an agreement to purchase the total issued and outstanding shares of RADA Technologies, Inc. ("RADA") for \$90,000 made in ten installments of \$9,000 and 1,550,000 shares of the Company's common stock (the "Purchase Price"). On July 1, 2007, the Company completed the acquisition of all the issued and outstanding shares of RADA.

The Company valued the common shares issued at \$0.10 per share or \$155,000, which represented the adjusted fair market value of the shares after consideration of trading rights, restrictions and market availability. The fair value of the assets acquired by the Company was approximately \$362,430, consisting of cash of \$27,112, receivables of \$47,026, equipment of \$20,000 and goodwill of \$268,291, and the Company assumed approximately \$117,429 in liabilities, consisting of 2 notes payable agreements to banks aggregating \$63,439 and trade accounts payable and other accrued expenses aggregating \$53,990.

During the fourth quarter of fiscal 2008, and concurrent with the Company's decision to hold RADA for sale (Note 5), the Company determined that the recorded amount of goodwill of \$268,291 from the RADA purchase was impaired. Accordingly, the Company charged off \$268,291 as impairment of goodwill.

**5. DISCONTINUED OPERATIONS**

On December 31 2007, the Company determined that its subsidiary RADA Technologies, Inc. ("RADA") was no longer an integral part of the Company's future growth or operations and developed a plan of sale and disposal for RADA, which was adopted by the Board of Directors on January 31, 2008. The Company is actively seeking a purchaser for RADA and its related equipment. Because of this, the operations of RADA are classified as discontinued operations for the year ended February 29, 2008. The reported operations of RADA are from July 1, 2007, the date RADA was acquired by the Company through the end of the fiscal year, February 29, 2008. The Company has not allocated interest expense or general corporate overhead to discontinued operations.

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Summary operating results for the period from date of acquisition to February 29, 2008 are as follows:

	July 1, 2007 Through <u>Feb. 29, 2008</u>
Revenue	\$ 551,395
Gross Profit	\$ 248,100
Net Loss Before Impairment Charge	\$ (129,465)
Impairment of Goodwill	\$ 268,291
Net Loss After Impairment Charge	\$ (397,756)

A summary of assets and liabilities of discontinued operations as of February 29, 2008:

	<b>2008</b>
Cash & cash equivalents	\$ 20,503
Accounts Receivable	40,463
<b>Total Assets</b>	<b>\$ 60,966</b>
Accounts Payable	\$ 178,865
Note Payable	29,669
Provision for Estimated Future Losses	100,000
<b>Total Liabilities</b>	<b>\$ 308,534</b>

**6. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at February 28, 2009, and February 29, 2008:

	<b>2009</b>	<b>2008</b>
Furniture and fixtures	\$ 6,277	\$ 2,261
Machinery and equipment	127,179	118,330
Vehicles	45,457	20,559
Leasehold improvements	17,895	17,895
	<u>196,809</u>	<u>159,045</u>
Less accumulated depreciation	<u>(92,649)</u>	<u>(52,086)</u>
Property and equipment, net	<u>\$ 104,161</u>	<u>\$ 106,959</u>

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
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**7. RELATED PARTY TRANSACTIONS**

During the fiscal years ended February 28, 2009 and February 29, 2008, the Company's Chief Executive Officer and Chairman of the Board of Directors deferred payment of salary and made loans to the Company. Loans to the Company at February 28, 2009 and February 29, 2008, were \$111,675 and \$204,098 respectively, of which, \$48,000 and \$51,746 was repaid to him in various amounts throughout the fiscal year end February 28, 2009 and fiscal year end February 29, 2008, respectively. Amounts due as of February 28, 2009 and February 29, 2008, are \$85,675 and \$316,061, respectively. These amounts are unsecured, bear interest at a rate of 10% and are due within five years. The accrued and unpaid salary of the Chief Executive Officer for fiscal 2008 was converted into a convertible note payable agreement. At February 28, 2009 and February 29, 2008, \$0 and \$485,000 respectively, was due under this note agreement

**8. LONG-TERM DEBT**

At May 31, 2008, and February 29, 2008, the Company had 3 note payable agreements due to a shareholder aggregating \$1,029,061 and \$1,051,061, respectively. Accrued interest on these notes in aggregate at May 31, 2008 and February 29, 2008 was \$134,476 and \$108,199, respectively. Interest is 10% per year, and principal and outstanding interest is due on January 22, 2013.

The notes are convertible to Series A Preferred Stock at a conversion rate of \$60 per share. At May 31, 2008, the shareholder converted the Notes Payable into 19,386 shares of Series A Preferred Stock. At the option of the shareholder, the Preferred Shares can be converted into shares of Common Stock at a rate of 3,000 shares of Common Stock for every one share of Preferred Stock.

Long-term debt due to others is summarized as follows at February 28, 2009, and February 29, 2008:

	<u>2009</u>	<u>2008</u>
Note payable to a third party corporation, interest at 10%, currently due. Principal and interest is convertible to common stock at a conversion rate of \$0.0125 per share	\$ 32,076	\$ 60,520
Notes payable to a financing company, secured by vehicles, interest at 8.84%, due April 2010	25,055	10,522
Note payable to a former shareholder of RADA, contemplated as part of the acquisition of RADA (Note 4)	63,000	63,000
Note payable to a bank, interest at prime	29,668	29,668
Note payable to a third party corporation, unsecured and non-interest bearing, currently due	<u>4,500</u>	<u>4,500</u>
Total Long-term Debt	154,299	168,210
Less: Current Portion	<u>(145,244)</u>	<u>(162,188)</u>
Long-term debt, net	<u>\$ 9,055</u>	<u>\$ 6,022</u>

**PLANET RESOURCE RECOVERY, INC. AND SUBSIDIARIES**  
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The Company has a convertible term note (the "Term Note"). The note accrues interest at 10% per year. The holder of the Term Note has the option to convert all or a portion of the note (including principal, and interest) into shares of common stock at any time, subject to specified limitations, at a fixed conversion price of \$0.0125 per share. The conversion price is subject to adjustment for stock splits, stock dividends and similar events. On June 14, 2007, the holder of the Term Note converted \$28,480 of principal and \$9,651 of accrued interest into 3,043,697 shares of common stock. On August 28, 2008, the holder of the Term Note converted \$28,935 of principal and \$13,180 of accrued interest into 3,369,216 shares of common stock. At February 28, 2009 and February 29, 2008, principal due under this obligation was \$31,585 and \$60,520, respectively, and the Company had accrued interest of \$15,967 related to the obligation at February 28, 2009.

## **9. COMMITMENTS AND CONTINGENCIES**

### **Lease Commitments**

The Company leases an office facility, production facility and equipment under operating leases expiring on various dates through 2011. Certain leases contain renewal options. The following is a schedule of future minimum lease payments under operating leases having remaining terms in excess of one year as of February 28, 2009.

<b>Year</b>	<b>Operating Leases</b>
February 28, 2010	\$ 71,605
February 28, 2011	69,780
February 29, 2012	5,815
	<hr/>
Total minimum lease payments	\$ 147,200
	<hr/>

Operating lease expense was \$107,996 and \$40,195 for the years ended February 28, 2009, and February 29, 2008, respectively.

## **10. STOCKHOLDERS' EQUITY**

### **Preferred Stock**

In May of 2008, the Company issued 19,386 shares of Series A convertible preferred stock for the conversion of three notes payable. The shares were valued at \$60 per share. Each share of Series A convertible preferred stock is convertible at the discretion of the shareholder into 3,000 shares of common stock and is not subject to stock dividends, stock splits or similar events of the common stock.

### **Common Stock**

In May of 2007, the Company issued 50,000 shares to two individuals in exchange for legal services. The value of the legal services provided was \$5,000.

In May of 2007, the Company issued 23,334 shares to an entity in exchange for shareholder relation services. The value of the services provided was \$2,334.

During the fiscal year ended February 29, 2008, the Company issued 627,801 shares to various

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individuals in exchange for marketing and/or management consulting services. The value of the services provided was \$62,780.

In December of 2007, the Company issued 500,000 shares to an officer of the Company in exchange for management services. The value of the services provided was \$50,000.

In January of 2009, the Company issued 200,000 shares to two employees of the Company in exchange for services. The value of the services provided was \$14,000.

**Warrants**

The Company has issued warrants in conjunction with various private placements of its stock and convertible term note in exchange for services. All warrants not previously cancelled or expired are currently exercisable.

The following table summarizes warrant information for the years ended February 28, 2009, and February 29, 2008.

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
<b>Outstanding March 1, 2007</b>	8,010,000	\$ 0.0125
Issued for accrued interest	560,107	0.0125
Exercise on June 14, 2007	(3,043,697)	0.0125
Issued to investor – Series A	5,000,000	0.25
Issued to investor – Series B	5,000,000	0.30
Issued to investor – Series C	5,000,000	0.35
Issued to investor – Series D	2,500,000	0.15
 <b>Outstanding February 29, 2008</b>	 23,026,410	
Issued for accrued interest	368,420	0.0125
Exercise on August 28, 2008	(3,369,216)	0.0125
Expired – Series A	(5,000,000)	0.25
Cancelled – Series B	(5,000,000)	0.30
Cancelled – Series C	(5,000,000)	0.35
 <b>Outstanding February 28, 2009</b>	 5,025,614	

As of February 28, 2009, outstanding common stock warrants are as follows:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Date of Expiration</b>
2,525,614	\$ 0.0125	None
2,500,000	\$ 0.15	March 1, 2011

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**11. INCOME TAXES**

The components of income tax (benefit) expense for each of the years ended February 28, 2009, and February 29, 2008 are as follows:

	<b>2009</b>	<b>2008</b>
Current	--	--
Deferred	--	--
Total	--	--

The Company has a net operating loss of approximately \$2,300,000 for Federal income tax purposes, which begins expiring in 2028. The amount and availability of any net operating loss carryforwards against future Federal or State taxable income may be subject to limitations set forth by the Internal Revenue Code or applicable State law. Factors such as the number of shares ultimately issued within a three year look-back period to determine whether there is a deemed more than 50 percent change in control concerning shareholders of 5.0% or more of the Company's issued and outstanding common stock; the applicable long-term tax exempt bond rate; continuity of historical business; and subsequent income of the Company all enter into the annual computation of allowable annual utilization of the carryforwards. The Company has recorded an allowance equal to the net operating loss carryforward.

The Company's income tax expense (benefit) for each of the years ended February 28, 2009 and February 29, 2008, respectively, differed from the statutory federal rate of 34 percent as follows:

	<b>2009</b>	<b>2008</b>
Statutory rate applied to income before income taxes	\$ (349,014)	(516,604)
Increase/(decrease) in income taxes resulting from:		
Other, including reserve for deferred tax asset and application of net operating loss carryforward	349,014	516,604
Income tax expense	--	--

Temporary differences, consisting primarily of statutory deferrals of expenses for organizational costs and statutory differences in the depreciable lives for property and equipment, between the financial statement carrying amounts and tax bases of assets and liabilities give rise to deferred tax assets and liabilities as of February 28, 2009 and February 29, 2008, respectively:

	<b>2009</b>	<b>2008</b>
Deferred Tax Assets		
Net operating loss carryforwards	\$ 1,140,030	791,016
Less: Valuation allowance	(1,140,030)	(791,016)
Net Deferred Tax Asset	--	--

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**12. STATEMENT OF CASH FLOWS DISCLOSURE OF NON-CASH TRANSACTIONS**

The following schedule summarizes the Company's supplemental disclosure of non-cash transactions for the Consolidated Statements of Cash Flows for the years ended February 28, 2009 and February 29, 2008:

	<u>2009</u>	<u>2008</u>
Supplemental disclosure of non-cash transactions		
Acquisition of RADA Technologies		
Working capital other than cash	--	\$ 47,026
Property and equipment	--	20,000
Goodwill	--	268,291
Liabilities assumed	--	(79,220)
Lines of credit assumed	--	(38,209)
Purchase price, net of cash acquired	<u>    --</u>	<u>    \$ 217,888</u>