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Global Resource CORP
Form 8-K/A
August 07, 2007

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

Amendment No 1 to
FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) September 22, 2006

Global Resource Corporation
(Exact name of registrant as specified in its charter)

Nevada	000-50944	84-156582
----- (State or other jurisdiction of incorporation)	----- Commission File Number)	----- IRS Employer Identification No.)

408 Bloomfield Drive, Unit #3, West Berlin, New Jersey 08091

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (856) 767-5661

209 Robwood Road
Baltimore, Maryland 21222

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

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The Form 8-K is amended to provide the following financial statements for Carbon Recovery Corporation:

CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

CARBON RECOVERY CORPORATION

(A DEVELOPMENT STAGE COMPANY)

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

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BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
Certified Public Accountants

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Suites 400-403
200 Haddonfield Berlin Road
Gibbsboro, New Jersey 08026
(856) 346-2828 Fax (856) 346-2882

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Carbon Recovery Corporation
West Berlin, New Jersey

We have audited the accompanying balance sheets of Carbon Recovery Corporation (A Development Stage Company) (the "Company") as of December 31, 2005 and 2004 and the related statements of operations, changes in stockholders' equity (deficit), and cash flow for the years then ended, with cumulative totals of operations, stockholders' equity (deficit), and cash flows since July 19, 2002 (inception). 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 audit.

We have conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

The accompanying financial statements for the years ended December 31, 2005 and 2004 have been prepared assuming that the Company will continue as a going concern. As discussed in Note 7 to the financial statements, the Company has raised certain issues that lead to substantial doubt about its ability to continue as a going concern. The Company does not have substantial revenue generating activities and has had operating deficits. Management's plans in regard to these matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carbon Recovery Corporation (A Development Stage Company) as of December 31, 2005 and 2004 and the results of its operations, changes in stockholders' equity (deficit) and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Company has restated its previously issued financial statements for the year ended December 31, 2005 on its report dated March 3, 2006. The Company has restated its financial statements to properly reflect the effect of a non-monetary transfer of an asset between the Company and a related entity. This transaction resulted in a decrease in stockholders' equity of \$37,500,000. There was no effect on the net loss applicable to common shares for the year ended December 31, 2005.

/s/ BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.

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Certified Public Accountants
 Gibbsboro, New Jersey
 March 3, 2006, except for Note 10 dated July 31, 2006

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 CENTER FOR PUBLIC COMPANY AUDIT FIRMS (CPCAF)
 NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
 PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 FLORIDA STATE BOARD OF ACCOUNTANCY

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CARBON RECOVERY CORPORATION
 (A DEVELOPMENT STAGE COMPANY)
 BALANCE SHEETS
 DECEMBER 31, 2005 AND 2004

	ASSETS -----		Restated 2005	
			-----	-----
CURRENT ASSETS				
Cash		\$	559,688	\$
Employee advances			--	
			-----	-----
TOTAL CURRENT ASSETS			559,688	
			-----	-----
Fixed Assets, Net of depreciation			43,192	
			-----	-----
OTHER ASSETS				
Investments			10,000	
Deposit			16,911	
Intangible asset - (see Note 10)			--	
Prepaid commission			--	
Investment in real estate			--	
			-----	-----
TOTAL OTHER ASSETS			26,911	
			-----	-----
TOTAL ASSETS		\$	629,791	\$
			=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				

CURRENT LIABILITIES				
Accounts payable and accrued liabilities		\$	180,794	\$
Current portion - loan payable - vehicle			5,043	
Loan payable- officer			17,050	
Liability for stock to be issued			975	

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TOTAL CURRENT LIABILITIES	203,862	
LONG-TERM LIABILITIES		
Loan payable - vehicle, net of current portion	14,467	
TOTAL LONG-TERM LIABILITIES	14,467	
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value; 50,000,000 shares authorized, 45,866,087 and 7,485,045 shares issued and outstanding at December 31, 2005 and 2004, respectively	--	
Subscription receivable	(78,182)	
Additional paid-in capital	41,101,199	
Discount on common stock	(37,500,000)	
Deficit accumulated in the development stage	(2,675,555)	
Deferred compensation	(436,000)	
Total stockholders' equity (deficit)	411,462	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 629,791	\$

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

	2005	2004	RESTATEMENT JULY 19, 2004 (INCEPTION) TO DECEMBER 31, 2004
REVENUES	\$ --	\$ 5,920	\$ 5,920
COST OF SALES	--	3,000	3,000
GROSS PROFIT	--	2,920	2,920
OPERATING EXPENSES			
Consulting fees	198,911	206,884	968,311
Professional fees	221,297	61,396	351,111
Marketing and commission expenses	5,814	34,540	45,354
Other general and administrative expenses	832,710	267,219	1,174,111

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December 2002	13,600	6,800	--	--
Net loss for the period July 19, 2002 (Inception) through December 31, 2002, as originally stated	--	--	--	(2,008,508)
Prior period adjustment, Note 11	--	--	--	1,500,000
BALANCE AT DECEMBER 31, 2002 (RESTATED)	3,597,600	493,300	--	(508,508)
Re-issuance of founders' shares - July 2003	1,455,000	--	--	--
Shares issued for cash	519,800	259,900	--	--
Issuance of subscription receivable from shareholders	--	--	--	--
Net loss for the year ended December 31, 2003, as originally stated	--	--	--	(931,159)
Prior period adjustment, Note 11	--	--	--	727,500
BALANCE AT DECEMBER 31, 2003 (RESTATED)	5,572,400	753,200	--	(712,167)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) - CONTINUED
FOR THE PERIOD JULY 19, 2002 (INCEPTION) THROUGH DECEMBER 31, 2003

	Restated -----	Restated -----	Restated -----	Restated -----	Restated -----
	COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	DISCOUNT ON COMMON STOCK	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	DEFERR COMPENSA
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2003 (CARRIED FORWARD)	5,572,400	\$ 753,200	\$ --	\$ (712,167)	\$ --
Shares issued for cash	917,645	553,105	--	--	--
Shares issued in exchange for real estate	650,000	650,000	--	--	--
Shares issued for compensation	545,000	545,000	--	--	(545,000)
Shares issued as charitable					

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contribution	50,000	50,000	--	--	
Initial founders' shares cancelled	(250,000)	--	--	--	
Issuance of subscription receivable from shareholders	--	--	--	--	
Net loss for the year ended December 31, 2004	--	--	--	(672,219)	
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2004	7,485,045	2,551,305	--	(1,384,386)	(545,000)
	-----	-----	-----	-----	-----
Shares issued for cash	745,655	914,507	--	--	
Shares issued to acquire technology	37,500,000	37,500,000	(37,500,000)	--	
Remaining shares issued in exchange for real estate	80,800	80,800	--	--	
Shares issued for services	53,500	53,500	--	--	
Accounts payable converted to equity	1,087	1,087	--	--	
Stock subscriptions received, net	--	--	--	--	
Amortization of deferred compensation	--	--	--	--	109,000
Net loss for the year ended December 31, 2005	--	--	--	(1,291,169)	
	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 2005	45,866,087	\$ 41,101,199	\$ (37,500,000)	\$ (2,675,555)	\$ (436,000)
	=====	=====	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

	2005	2004
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,291,169)	\$ (672,219)
	-----	-----

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ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH (USED IN)

OPERATING ACTIVITIES:		
Depreciation	23,528	5,971
Common stock issued for services	53,500	--
Amortization of deferred compensation	109,000	--
Impairment of investment in real estate	--	25,900
Loss on real estate	13,207	73,829
Common stock issued as charitable contribution	--	50,000
CHANGES IN ASSETS AND LIABILITIES		
(Increase) decrease in subscription receivable	10,398	(74,240)
Decrease in employee advances	2,882	--
(Increase) decrease in deposits	33,089	(50,000)
(Increase) decrease in prepaid commissions	10,000	(10,000)
Increase (decrease) in accounts payable	123,421	48,054
	-----	-----
TOTAL ADJUSTMENTS	379,025	69,514
	-----	-----
NET CASH (USED IN) OPERATING ACTIVITIES	(912,144)	(602,705)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(8,923)	(55,671)
Proceeds from sale of real estate	41,693	576,171
Investment	(10,000)	--
Investment in real estate, net	--	(80,800)
	-----	-----
NET CASH PROVIDED BY INVESTING ACTIVITIES	22,770	439,700
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock and paid-in capital	885,502	553,105
Liability for stock to be issued	--	110,780
Proceeds from officer's loan	--	7,000
Repayment of officer's loan	--	--
Proceeds from loan payable - vehicle	--	26,316
Repayment of loan payable - vehicle	(5,196)	(1,610)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	880,306	695,591
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,068)	532,586
CASH AND CASH EQUIVALENTS		
- BEGINNING OF YEAR	568,756	36,170
	-----	-----
CASH AND CASH EQUIVALENTS		
- END OF YEAR	\$ 559,688	\$ 568,756
	=====	=====
SUPPLEMENTAL DISCLOSURES OF		
NON-CASH ACTIVITIES:		
Common stock issued for services	\$ 53,500	\$ --
	=====	=====

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Common stock issued for technology	\$ 37,500,000 =====	\$ -- =====
Common stock issued as charitable contribution	\$ -- =====	\$ 50,000 =====
Accounts payable converted to equity	\$ 1,807 =====	\$ -- =====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1- ORGANIZATION

The Company was incorporated in New Jersey on July 19, 2002 as a development stage company.

To date, the Company's only activity has been organization, directed at developing its business plan and raising initial capital. The Company has not commenced any commercial operations as of December 31, 2005.

The Company's business plan is to research and develop and market reverse polymerization technology for the conversion of scrap tires into industrial products and chemicals for the petroleum chemical industry.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, "Accounting and Reporting by Development Stage Enterprises." The Company devotes substantially all of its efforts to develop and market its polymerization technologies for business in the carbon recovery and petroleum chemical industries.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

At December 31, 2005 and 2004, the Company maintained cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation up to \$100,000.

START-UP COSTS

In accordance with the American Institute of Certified Public Accountants Statement of Position 98-5, "REPORTING ON THE COSTS OF START-UP ACTIVITIES", the Company expenses all costs incurred in connection with the start-up and organization of the Company.

INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

ADVERTISING COSTS

The Company will expense the costs associated with advertising as they are incurred. The Company did not incur any advertising costs for the years ended December 31, 2005 and 2004.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EARNINGS (LOSS) PER SHARE OF COMMON STOCK

Historical net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive.

The following is a reconciliation of the computation for basic and diluted earnings per share for the years ended December 31, 2005 and 2004:

	2005	2004
	-----	-----
Net loss	\$ (1,291,169)	\$ (672,219)
	-----	-----
Weighted-average common shares Outstanding (Basic)	36,943,731	6,423,190
Weighted-average common stock Equivalents		
Stock options	--	--
Warrants	--	--
	-----	-----
Weighted-average common shares Outstanding (Diluted)	36,943,731	6,423,190
	=====	=====

Options and warrants outstanding to purchase stock were not included in the computation of diluted EPS the years ended December 31, 2005 and 2004 because inclusion would have been antidilutive. As of December 31, 2005 and 2004, there were no outstanding options available.

CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

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In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. In January 2005, the Company entered into a licensing agreement with Careful Sell Holdings, Ltd., a related party. (See Note 9)

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No. 123 (Revised 2004), "SHARE-BASED PAYMENT" ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective for small business issuers as of the first interim period that begins after December 15, 2005. Accordingly, the Company will implement the revised standard in the first quarter of fiscal year 2006. Currently, the Company accounts for its share-based payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements. Management is assessing the implications of this revised standard, which may materially impact the Company's results of operations in the first quarter of fiscal year 2006 and thereafter.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

On December 16, 2004, FASB issued Statement of Financial Accounting Standards No. 153, "EXCHANGES OF NON-MONETARY ASSETS, AN AMENDMENT OF APB OPINION NO. 29, ACCOUNTING FOR NON-MONETARY TRANSACTIONS" ("SFAS 153"). This statement amends APB Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under SFAS 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable,

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the transaction must be accounted for at fair value resulting in recognition of any gain or loss. SFAS 153 is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flows.

NOTE 3- FIXED ASSETS

Fixed assets as of December 31, 2005 and 2004 were as follows:

	ESTIMATED USEFUL LIVES (YEARS) -----	2005	2004
		-----	-----
Equipment	5-7	\$ 19,870	\$ 10,947
Vehicles	5	54,346	54,346
		-----	-----
		74,216	65,293
Less: accumulated depreciation		31,024	7,496
		-----	-----
Fixed assets, net		\$ 43,192	\$ 57,797
		=====	=====

There was \$23,528 and \$5,971 charged to operations for depreciation expense for the years ended December 31, 2005 and 2004, respectively.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 4- LOAN PAYABLE - VEHICLE

In July 2004 the Company entered into a five year loan related to the purchase of a new vehicle. The principal amount of the loan is \$26,216 at an interest rate of 5.38% annually. Monthly payments on the loan are approximately \$496.

The loan payable balance at December 31, 2005 is as follows:

	2005 -----
Total loan payable	\$19,510
Less current maturities	5,043

Long-term loan payable	\$14,467
	=====

The amount of principal maturities of the loan payable for the next four years ending December 31, and in the aggregate is as

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follows:

2006	\$ 5,043
2007	5,314
2008	5,600
2009	3,553

	\$ 19,510
	=====

NOTE 5- PROVISION FOR INCOME TAXES

Deferred income taxes will be determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes will be measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's consolidated tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 5- PROVISION FOR INCOME TAXES (CONTINUED)

At December 31, 2005 the deferred tax assets consist of the following:

	2005

Deferred taxes due to net operating loss carryforwards	\$ 802,667
Less: Valuation allowance	(802,667)

Net deferred tax asset	\$ --
	=====

At December 31, 2005, the Company had deficits accumulated during the development stage in the approximate amount of \$2,675,555 available to offset future taxable income through 2023. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

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NOTE 6-

OPERATING LEASES

The Company leases office space under a thirty-six month lease commencing October 15, 2004. Monthly payments under the current lease range from \$3,000 to \$3,400 during the life of the lease. The Company is required to pay property taxes, utilities, insurance and other costs relating to the leased facilities.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 6-

OPERATING LEASES (CONTINUED)

Minimum lease payments under the operating lease are as follows:

FOR THE YEARS ENDING
DECEMBER 31,

2006	\$ 38,800
2007	34,000

	\$ 72,800
	=====

NOTE 7-

GOING CONCERN

As shown in the accompanying financial statements, the Company incurred substantial net losses for the years ended December 31, 2005 and 2004, and has no revenue stream to support itself. This raises substantial doubt about the Company's ability to continue as a going concern.

The Company's future success is dependent upon its ability to raise additional capital or to secure a future business combination. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations. Management believes they can raise the appropriate funds needed to support their business plan and acquire an operating, cash flow positive company.

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

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 8- STOCKHOLDERS' EQUITY (DEFICIT)

COMMON STOCK

The Company has 50,000,000 shares of common stock authorized at December 31, 2005 and 2004, respectively, at no par value.

At December 31, 2005 and 2004, the Company has 45,866,087 and 7,485,045 common shares issued and outstanding, respectively.

THE FOLLOWING DETAILS THE STOCK TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2004:

The Company issued 917,645 shares of stock at an approximate value of \$0.60 per share.

The Company issued 650,000 shares of stock in exchange for real estate at a value of \$1.00 per share.

The Company issued 545,000 shares of stock valued at \$1.00 per share to a founder as deferred compensation.

The Company issued 50,000 shares of stock valued at \$1.00 per share as a charitable contribution.

The Company cancelled 250,000 shares of stock initially issued to two of its founders.

THE FOLLOWING DETAILS THE STOCK TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2005:

The Company issued 745,655 shares of stock for \$914,507 cash.

The Company issued 37,500,000 shares of common stock to Careful Sell Holding, L.L.C. in connection with the Technology Contribution Agreement referred to in (Note 9).

The Company issued 80,800 shares of common stock as the remaining balance due in exchange for real estate at a value of \$1.00 per share.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 8- STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

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COMMON STOCK - (CONTINUED)

The Company issued 53,500 shares of common stock for services at a value of \$1.00 per share.

The Company issued 1,087 shares of common stock in conversion of accounts payable to equity at a value of \$1.00 per share.

WARRANTS

The Company issued -0- and 331,520 Class A warrants during the years ended December 31, 2005 and 2004, respectively. These warrants are exercisable for the purchase of common stock for \$9.00 per share. These warrants initially expired on July 31, 2005. Effective July 29, 2005 the Company modified the terms of the Class A warrants and extended the term for exercise. Each holder of Class A warrants was provided with written notice of the right to exchange the Class A warrants for Class C, D and E warrants.

For each Class A warrant exchanged the Shareholder shall receive one Class C warrant, one Class D warrant and one Class E warrant.

Class C warrants shall be exercisable, at an exercise price of \$1.00 per share, for a period of thirty days from the date that the Shareholder signs the written form agreeing to the Warrant Exchange Program.

For each Class C warrant exercised, the Shareholder shall be entitled to exercise one Class D warrant, at an exercise price of \$2.75 per share, for a period of ninety days from agreeing to the Warrant Exchange Program. During the fourth quarter of 2005 a total of 184,000 Class D warrants were issued.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 8-

STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

WARRANTS - (CONTINUED)

For each Class D warrant exercised, the Shareholder shall be entitled to exercise one Class E warrant, at an exercise price of \$4.00 per share, for a period of one hundred fifty days from agreeing to the Warrant Exchange Program. To the extent that a Shareholder does not exercise their Class D warrants before they expire, the corresponding number of Class E warrants shall become null and void and of no further force or effect. During the fourth quarter of 2005 a total of 184,000

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Class E warrants were issued.

As of December 31, 2005 all of the remaining outstanding Class A warrants had expired.

The Company issued 1,714,042 and 586,125 Class B warrants during the years ended December 31, 2005 and 2004, respectively. The Class B warrants entitle the holder to purchase one share of common stock for \$2.75 per share. A total of 2,300,167 Class B warrants were exercisable at December 31, 2005. None of the Class B warrants were exercised during the year ended December 31, 2005. The Class B warrants initially expired on July 15, 2005. Effective July 1, 2005 the Company authorized the extension of the expiration date of the Class B warrants up until, but no later than, one year after the stock in the Company is publicly trading.

NOTE 9-

RELATED PARTY TRANSACTION

In January 2005 the Company formalized a prior intended agreement with Careful Sell Holding, L.L.C. ("Careful Sell"), a Delaware limited liability company formed by the President of the Company. The Company's President and his spouse, a Director of the Company, own all of the limited liability interests of Careful Sell. The Company's President is also the Manager of Careful Sell. Under the revised agreement the Company entered into a Technology Contribution Agreement (the "Agreement"), with Careful Sell. Careful Sell is the owner of all the rights to the inventions of the Company's President. The Agreement transfers to the Company 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.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 9-

RELATED PARTY TRANSACTION (CONTINUED)

The terms of the Agreement include a provision whereby the Company will pay Careful Sell royalties of 2% of all revenues derived from the inventions. In further consideration for the transfer of the inventions, the Company has issued to Careful Sell a total of 37,500,000 shares of common stock of the Company. This Agreement supercedes a prior agreement not formalized between the Company and Careful Sell in 2002.

NOTE 10-

RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS FOR THE

YEARS ENDED DECEMBER 31, 2005

DECEMBER 31, 2003 AND 2002

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The Company has restated its previously issued financial statements for the year ended December 31, 2005 on its report dated March 3, 2006. The Company has restated its financial statements to properly reflect the effect of a non-monetary transfer of an asset between the Company and a related entity. This transaction resulted in a decrease in stockholders' equity of \$37,500,000. There was no effect on the net loss applicable to common shares for the year ended December 31, 2005.

The Company has restated its previously issued financial statements for the period July 19, 2002 (inception) through December 31, 2002 on its report dated May 29, 2003. The Company has also restated its financial statements for the year ended December 31, 2003. The Company has restated its financial statements to reverse the effect of a transaction during the period ended December 31, 2002. The transaction reflected the issuance of preferred stock shares in exchange for an intangible asset and the subsequent impairment of the asset acquired. The financial statements have been restated as the transaction was subsequently rescinded, as the preferred stock shares were not formally issued. For the year ended December 31, 2003 the Company had initially reflected the issuance of 1,455,000 shares of common stock to two of its founders as being issued for services provided. The Company has restated its financial statements to reflect the common stock as re-issuance of founders shares. These transactions resulted in a decrease in net loss applicable to common shares of \$727,500 and \$1,500,000 for the year ended December 31, 2003 and period July 19, 2002 (inception) through December 31, 2002 to a net loss of \$203,659 and \$508,508 as restated, and a decrease in the deficits accumulated during the development stage to \$712,617 and \$508,508, respectively.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2005 AND 2004

NOTE 11-

COMMITMENTS AND CONTINGENCIES

Effective January 1, 2005 the Company entered into an employment agreement with its President. Under the agreement the President shall be entitled to an annual base salary of \$250,000 in 2005 escalating to \$366,025 in 2009. In 2005, \$156,000 of the salary shall be paid ratably during the course of the year and the remaining \$94,000 will be paid in accordance with the terms of the agreement. The initial term of the agreement is for a period of five years. The President has the option to renew this agreement for a second five-year term. In addition to the base salary the Company has granted the President 545,000 shares of restricted common stock as deferred compensation. The common stock vests to the President over a five-year period commencing January 1, 2005.

During the fourth quarter of 2005 the Company entered into an

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agreement to purchase equipment for a total purchase price of approximately \$328,000. Subsequent to the balance sheet date the Company has made payments of approximately \$183,000 toward the purchase of the equipment. Delivery of the equipment is anticipated during the second quarter of 2006.

NOTE 12-

SUBSEQUENT EVENTS

Subsequent to the balance sheet date the Company has received approximately \$710,000 in subscription agreements toward the purchase of approximately 585,000 shares of its common stock.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)

REVIEWED FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

CARBON RECOVERY CORPORATION

(A DEVELOPMENT STAGE COMPANY)
REVIEWED FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

INDEX TO REVIEWED FINANCIAL STATEMENTS

FINANCIAL STATEMENTS:

Report of Independent Registered Public Accounting Firm

Balance Sheets as of June 30, 2006 (Unaudited) and
December 31, 2005 (Audited)

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Statements of Operations for the six months ended June 30, 2006 and 2005
(Unaudited) with Cumulative Totals since Inception

Statements of Changes in Stockholders' Equity (Deficit) for the period July
19, 2002 (Inception) Through June 30, 2006

Statements of Cash Flows for the six months ended June 30, 2006 and 2005
(Unaudited) with Cumulative Totals since Inception

Notes to Reviewed Financial Statements

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BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
Certified Public Accountants

High Ridge Commons
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200 Haddonfield Berlin Road
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(856) 346-2828 Fax (856) 346-2882

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Carbon Recovery Corporation
(A Development Stage Company)
West Berlin, New Jersey

We have reviewed the accompanying balance sheet of Carbon Recovery Corporation (A Development Stage Company), (the "Company"), as of June 30, 2006 and the related statements of operations, changes in stockholders' equity (deficit), and cash flows for the six months then ended with cumulative totals since the Company's inception July 19, 2002 for the statements of operations, changes in stockholders' equity (deficit) and cash flows in accordance with the standards of the Public Company Accounting Oversight Board (United States). All information included in these financial statements is the representation of the management of Carbon Recovery Corporation (A Development Stage Company).

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 7 to the financial statements, the Company has sustained operating losses and capital deficits that raise doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company has restated its previously issued financial statements for the year ended December 31, 2005 on its report dated March 3, 2006. The Company has restated its financial statements to properly reflect the effect of a non-monetary transfer of an asset between the Company and a related entity. This transaction resulted in a decrease in stockholders' equity of \$37,500,000. There was no effect on the net loss applicable to common shares for the year ended December 31, 2005.

/s/ BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.

 BAGELL, JOSEPHS, LEVINE & COMPANY, L.L.C.
 Certified Public Accountants
 Gibbsboro, New Jersey
 August 24, 2006

MEMBER OF: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 CENTER FOR PUBLIC COMPANY AUDIT FIRMS (CPCAF)
 NEW JERSEY SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
 PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
 FLORIDA STATE BOARD OF ACCOUNTANCY

CARBON RECOVERY CORPORATION
 (A DEVELOPMENT STAGE COMPANY)
 BALANCE SHEETS
 JUNE 30, 2006 AND DECEMBER 31, 2005

	ASSETS -----	2006 (UNAUDITED)	2005 (AUDIT)
CURRENT ASSETS			
Cash		\$ 717,341	\$ 559,
Employee advances		1,000	
		-----	-----
TOTAL CURRENT ASSETS		718,341	559,
		-----	-----
Fixed Assets, Net of depreciation		36,630	43,

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OTHER ASSETS		
Investments	10,000	10,
Deposit - equipment	254,216	16,
Intangible asset - (see Note 10)	--	
	-----	-----
TOTAL OTHER ASSETS	264,216	26,
	-----	-----
TOTAL ASSETS	\$ 1,019,187	\$ 629,
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 181,146	\$ 180,
Current portion - loan payable - vehicle	5,177	5,
Current portion - loan payable - equipment	12,333	
Loan payable - officer	--	17,
Liability for stock to be issued	94,340	
	-----	-----
TOTAL CURRENT LIABILITIES	292,996	203,
	-----	-----
LONG-TERM LIABILITIES		
Loan payable - vehicle, net of current portion	11,845	14,
Loan payable - equipment, net of current portion	55,313	
	-----	-----
TOTAL LONG-TERM LIABILITIES	67,158	14,
	-----	-----
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, no par value; 50,000,000 shares authorized, 47,185,637 and 45,866,087 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	--	
Subscription receivable	(146,858)	(78,
Additional paid-in capital	42,587,089	41,101,
Discount on common stock	(37,500,000)	(37,500,
Deficit accumulated in the development stage	(3,899,698)	(2,675,
Deferred compensation	(381,500)	(436,
	-----	-----
Total stockholders' equity (deficit)	659,033	411,
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 1,019,187	\$ 629,
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

	SIX MONTHS ENDED		RESTATE
	JUNE 30, 2006	JUNE 30, 2005	JULY 19 (INCEPT TO JUNE 30, 2005)
REVENUES	\$ --	\$ --	\$ 5
COST OF SALES	--	--	3
GROSS PROFIT	--	--	2
OPERATING EXPENSES			
Consulting fees	44,495	149,251	1,013
Professional fees	106,565	133,484	457
Marketing and commission expenses	44,505	3,086	89
Other general and administrative expenses	552,230	379,613	1,797
Research and development	466,667	--	466
Impairment of investment in real estate	--	--	25
Depreciation expense	8,827	11,734	39
TOTAL OPERATING EXPENSES	1,223,289	677,168	3,890
LOSS BEFORE OTHER INCOME (EXPENSE)	(1,223,289)	(677,168)	(3,887)
OTHER INCOME (EXPENSE)			
Loss on real estate - net	--	(13,207)	(87)
Interest expense	(7,895)	(7,895)	--
Interest income	7,041	2,917	11
TOTAL OTHER INCOME (EXPENSE)	(854)	(10,290)	(82)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	(1,224,143)	(687,458)	(3,970)
PROVISION FOR INCOME TAXES	--	--	--
NET LOSS APPLICABLE TO COMMON SHARES	\$ (1,224,143)	\$ (687,458)	\$ (3,970)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.03)	\$ (0.04)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	46,510,878	28,504,932	

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE PERIOD JULY 19, 2002 (INCEPTION) THROUGH JUNE 30, 2006

	Restated -----	Restated -----	Restated -----	Restated -----	Restated -----
	COMMON SHARES -----	ADDITIONAL PAID-IN CAPITAL -----	DISCOUNT ON COMMON STOCK -----	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE -----	Re -----
BALANCE - JULY 19, 2002 (INCEPTION)	--	\$ --	\$ --	\$ --	\$ --
Issuance of initial founders' shares, September 2002, net of subsequent cancellations	2,555,000	--	--	--	--
Shares issued for services, September 2002	1,000,000	472,000	--	--	--
Shares issued for cash, November 2002	29,000	14,500	--	--	--
Shares issued for services, November and December 2002	13,600	6,800	--	--	--
Net loss for the period July 19, 2002 (Inception) through December 31, 2002, as originally stated	--	--	--	(2,008,508)	--
Prior period adjustment, Note 11	--	--	--	1,500,000	--
BALANCE AT DECEMBER 31, 2002 (RESTATED)	3,597,600	493,300	--	(508,508)	--
Re-issuance of founders' shares - July 2003	1,455,000	--	--	--	--
Shares issued for cash	519,800	259,900	--	--	--
Issuance of subscription receivable from shareholders	--	--	--	--	--
Net loss for the year ended December 31, 2003, as originally stated	--	--	--	(931,159)	--
Prior period adjustment, Note 11	--	--	--	727,500	--
BALANCE AT DECEMBER 31, 2003 (RESTATED)	5,572,400	753,200	--	(712,167)	--

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) - CONTINUED
FOR THE PERIOD JULY 19, 2002 (INCEPTION) THROUGH JUNE 30, 2006

	Restated -----	Restated -----	Restated -----	Restated -----	Restated -----
	COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	DISCOUNT ON COMMON STOCK	DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE	DEFERR COMPENSA
BALANCE AT DECEMBER 31, 2003 (CARRIED FORWARD)	5,572,400	\$ 753,200	\$ --	\$ (712,167)	\$
Shares issued for cash	917,645	553,105	--	--	
Shares issued in exchange for real estate	650,000	650,000	--	--	
Shares issued for compensation	545,000	545,000	--	--	(545)
Shares issued as charitable contribution	50,000	50,000	--	--	
Initial founders' shares cancelled	(250,000)	--	--	--	
Issuance of subscription receivable from shareholders	--	--	--	--	
Net loss for the year ended December 31, 2004	--	--	--	(672,219)	
BALANCE AT DECEMBER 31, 2004	7,485,045	2,551,305	--	(1,384,386)	(545)
Shares issued for cash	745,655	914,507	--	--	
Shares issued to acquire technology	37,500,000	37,500,000	(37,500,000)	--	
Remaining shares issued in exchange for real estate	80,800	80,800	--	--	
Shares issued for services	53,500	53,500	--	--	
Accounts payable converted to equity	1,087	1,087	--	--	
Stock subscriptions received, net	--	--	--	--	
Amortization of deferred					

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compensation	--	--	--	--	109
Net loss for the year ended December 31, 2005	--	--	--	(1,291,169)	
BALANCE AT DECEMBER 31, 2005	45,866,087	41,101,199	(37,500,000)	(2,675,555)	(436)
Shares issued for cash	1,319,550	1,485,890	--	--	
Stock subscriptions received, net	--	--	--	--	
Amortization of deferred compensation	--	--	--	--	54
Net loss for the six months ended June 30, 2006	--	--	--	(1,224,143)	
BALANCE AT JUNE 30, 2006	47,185,637	\$ 42,587,089	\$ (37,500,000)	\$ (3,899,698)	\$ (381)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(WITH CUMULATIVE TOTALS SINCE INCEPTION)

	SIX MONTHS ENDED	
	JUNE 30, 2006	JUNE 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,224,143)	\$ (687,450)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH (USED IN) OPERATING ACTIVITIES:		
Depreciation	8,827	11,730
Common stock issued for services	--	52,500
Amortization of deferred compensation	54,500	54,500
Impairment of investment in real estate	--	--
Loss on real estate	--	(13,200)
Common stock issued as charitable contribution	--	--
CHANGES IN ASSETS AND LIABILITIES		
(Increase) decrease in subscription receivable	(68,676)	59,290
(Increase) in employee advances	(1,000)	--
(Increase) decrease in deposits	(237,305)	50,000
(Increase) in prepaid commissions	--	--
Increase in accounts payable	352	65,700

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TOTAL ADJUSTMENTS	(243,302)	280,52
NET CASH USED IN OPERATING ACTIVITIES	(1,467,445)	(406,93
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(2,265)	(8,35
Proceeds from sale of real estate	--	68,10
Investment	--	--
Investment in real estate, net	--	--
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(2,265)	59,750.0
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common stock and paid-in capital	1,485,890	42,98
Liability for stock to be issued	93,365	(26,04
Proceeds from officer's loan	--	--
Repayment of officer's loan	(17,050)	--
Proceeds from loan payable - vehicle	--	--
Repayment of loan payable - vehicle	(2,488)	(2,77
Proceeds from loan payable - equipment	75,000	--
Repayment of loan payable - equipment	(7,354)	--
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,627,363	14,16
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	157,653	(333,01
CASH AND CASH EQUIVALENTS		
- BEGINNING OF PERIOD	559,688	568,75
CASH AND CASH EQUIVALENTS		
- END OF PERIOD	\$ 717,341	\$ 235,74
SUPPLEMENTAL DISCLOSURES OF		
NON-CASH ACTIVITIES:		
Common stock issued for services	\$ --	\$ 52,50
Common stock issued for technology	\$ --	\$ --
Common stock issued as charitable contribution	\$ --	\$ --
Accounts payable converted to equity	\$ --	\$ 1,08

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 1-

ORGANIZATION

The Company was incorporated in New Jersey on July 19, 2002 as a development stage company.

To date, the Company's only activity has been organization, directed at developing its business plan and raising initial capital. The Company has not commenced any commercial operations as of June 30, 2006.

The Company's business plan is to research and develop and market reverse polymerization technology for the conversion of scrap tires into industrial products and chemicals for the petroleum chemical industry.

These unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present fairly the operations and cash flow for the periods presented.

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DEVELOPMENT STAGE COMPANY

The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, "Accounting and Reporting by Development Stage Enterprises." The Company devotes substantially all of its efforts to develop and market its polymerization technologies for business in the carbon recovery and petroleum chemical industries.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

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NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash or cash equivalents.

At June 30, 2006 and 2005, the Company maintained cash and cash equivalent balances at one financial institution that is insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2006 and 2005 the Company's uninsured cash balances total \$657,307 and \$141,021, respectively.

START-UP COSTS

In accordance with the American Institute of Certified Public Accountants Statement of Position 98-5, "REPORTING ON THE COSTS OF START-UP ACTIVITIES", the Company expenses all costs incurred in connection with the start-up and organization of the Company.

INCOME TAXES

Deferred income taxes are reported using the liability method. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

ADVERTISING COSTS

The Company will expense the costs associated with advertising as they are incurred. The Company did not incur any advertising costs for the six months ended June 30, 2006 and 2005.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EARNINGS (LOSS) PER SHARE OF COMMON STOCK

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Historical net loss per common share is computed using the weighted average number of common shares outstanding. Diluted earnings per share (EPS) includes additional dilution from common stock equivalents, such as stock issuable pursuant to the exercise of stock options and warrants. Common stock equivalents were not included in the computation of diluted earnings per share when the Company reported a loss because to do so would be antidilutive.

The following is a reconciliation of the computation for basic and diluted earnings per share:

	SIX MONTHS ENDED JUNE 30,	
	2006	2005
Net loss	\$ (1,224,143)	\$ (687,458)
Weighted-average common shares Outstanding (Basic)	46,510,878	28,504,932
Weighted-average common stock Equivalents		
Stock options	--	--
Warrants	--	--
Weighted-average common shares Outstanding (Diluted)	46,510,878	28,504,932

Options and warrants outstanding to purchase stock were not included in the computation of diluted EPS the six months ended June 30, 2006 and 2005 because inclusion would have been anti-dilutive. As of June 30, 2006 and 2005, there were no outstanding options available.

CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued Statement No. 142 "Goodwill and Other Intangible Assets". This statement addresses financial accounting and reporting for acquired goodwill and other

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intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. In January 2005, the Company entered into a licensing agreement with Careful Sell Holdings, Ltd., a related party. (See Note 9)

On December 16, 2004, the Financial Accounting Standards Board ("FASB") published Statement of Financial Accounting Standards No. 123 (Revised 2004), "SHARE-BASED PAYMENT" ("SFAS 123R"). SFAS 123R requires that compensation cost related to share-based payment transactions be recognized in the financial statements. Share-based payment transactions within the scope of SFAS 123R include stock options, restricted stock plans, performance-based awards, stock appreciation rights, and employee share purchase plans. The provisions of SFAS 123R are effective for small business issuers as of the first interim period that begins after December 15, 2005. Currently, the Company accounts for its share-based payment transactions under the provisions of APB 25, which does not necessarily require the recognition of compensation cost in the financial statements. The Company has not issued any options during the reporting periods and as such, the effect of SFAS 123R has no impact on the results of operations for the six months ended June 30, 2006.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

On December 16, 2004, FASB issued Statement of Financial Accounting Standards No. 153, "EXCHANGES OF NON-MONETARY ASSETS, AN AMENDMENT OF APB OPINION NO. 29, ACCOUNTING FOR NON-MONETARY TRANSACTIONS" ("SFAS 153"). This statement amends APB Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. Under SFAS 153, if a non-monetary exchange of similar productive assets meets a commercial-substance criterion and fair value is determinable, the transaction must be accounted for at fair value resulting in recognition of any gain or loss. SFAS 153 is effective for non-monetary transactions in fiscal periods that begin after June 15, 2005. The Company does not anticipate that the implementation of this standard will have a material impact on its financial position, results of operations or cash flows.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes

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and Error Corrections." SFAS No. 154 replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements." SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB No. 20 previously required that most voluntary changes in accounting principle be recognized by including the cumulative effect of changing to the new accounting principle in net income in the period of the change. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS No. 154 did not have a material impact on the Company's financial position or results of operations.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 2-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140." SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, "Application of Statement 133 to Beneficial Interests in Securitized Financial Assets," and permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133, establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of the first fiscal year that begins after September 15, 2006. The Company is currently evaluating the effect the adoption of SFAS No. 155 will have on its financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140." SFAS No. 156 requires an entity to recognize a servicing asset or liability each time it undertakes an obligation to service a financial asset by entering into a

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servicing contract under a transfer of the servicer's financial assets that meets the requirements for sale accounting, a transfer of the servicer's financial assets to a qualified special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale or trading securities in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates.

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CARBON RECOVERY CORPORATION
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2006 AND 2005

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Additionally, SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, permits an entity to choose either the use of an amortization or fair value method for subsequent measurements, permits at initial adoption a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights and requires separate presentation of servicing assets and liabilities subsequently measured at fair value and additional disclosures for all separately recognized servicing assets and liabilities. SFAS No. 156 is effective for transactions entered into after the beginning of the first fiscal year that begins after September 15, 2006. The Company is currently evaluating the effect the adoption of SFAS No. 156 will have on its financial position or results of operations.

NOTE 3- FIXED ASSETS

Fixed assets as of June 30, 2006 were as follows:

	ESTIMATED USEFUL LIVES (YEARS)	2006
	-----	-----
Equipment	5-7	\$ 22,135
Vehicles	5	54,346

		76,481
Less: accumulated depreciation		(39,851)

Fixed assets, net		\$ 36,630

=====

There was \$8,827 and \$11,734 charged to operations for depreciation expense for the six months ended June 30, 2006 and 2005, respectively.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 4- LOAN PAYABLE - VEHICLE

In July 2004 the Company entered into a five year loan related to the purchase of a new vehicle. The principal amount of the loan is \$26,216 at an interest rate of 5.38% annually. Monthly payments on the loan are approximately \$496.

The loan payable balance at June 30, 2006 is as follows:

	2006	

Total loan payable	\$ 17,022	
Less current maturities	(5,177)	

Long-term loan payable	\$ 11,845	
	=====	

The amount of principal maturities of the loan payable for the next three periods ending June 30, and in the aggregate is as follows:

	2007	\$ 5,177
	2008	5,455
	2009	6,390

		\$ 17,022
		=====

NOTE 5- PROVISION FOR INCOME TAXES

Deferred income taxes will be determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes will be measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

CARBON RECOVERY CORPORATION
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2006 AND 2005

NOTE 5- PROVISION FOR INCOME TAXES (CONTINUED)

At June 30, 2006 the deferred tax assets consist of the following:

	SIX MONTHS ENDED JUNE 30, 2006

Deferred taxes due to net operating loss carryforwards	\$ 1,169,909
Less: Valuation allowance	(1,169,909)

Net deferred tax asset	\$ --
	=====

At June 30, 2006, the Company had deficits accumulated during the development stage in the approximate amount of \$3,899,698 available to offset future taxable income through 2026. The Company established valuation allowances equal to the full amount of the deferred tax assets due to the uncertainty of the utilization of the operating losses in future periods.

NOTE 6- OPERATING LEASES

The Company leases office space under a lease that commenced October 15, 2004. Monthly payments under the initial lease term range from \$3,000 to \$3,400. During the second quarter of 2006 the Company entered into a lease agreement for additional office space for a term of three years commencing June 1, 2006. The term of the initial leased space was extended at the same time and both leases now expire on May 31, 2009. The Company is required to pay property taxes, utilities, insurance and other costs relating to the leased facilities.

CARBON RECOVERY CORPORATION
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2006 AND 2005

NOTE 6- OPERATING LEASES (CONTINUED)

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Minimum lease payments under the operating lease are as follows:

FOR THE PERIODS ENDING	
JUNE 30,	

2007	\$ 59,200
2008	60,000
2009	55,000

	\$174,200
	=====

NOTE 7- GOING CONCERN

As shown in the accompanying financial statements, the Company incurred substantial net losses for the periods ended June 30, 2006 and 2005, and has no revenue stream to support itself. This raises doubt about the Company's ability to continue as a going concern.

The Company's future success is dependent upon its ability to raise additional capital or to secure a future business combination. There is no guarantee that the Company will be able to raise enough capital or generate revenues to sustain its operations. Management believes they can raise the appropriate funds needed to support their business plan and acquire an operating, cash flow positive company.

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

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 8- STOCKHOLDERS' EQUITY (DEFICIT)

COMMON STOCK

The Company has 50,000,000 shares of common stock authorized at June 30, 2006 and December 31, 2005, respectively, at no par value.

At June 30, 2006 and December 31, 2005, the Company has 47,185,637 and 45,866,087 common shares issued and outstanding, respectively.

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THE FOLLOWING DETAILS THE STOCK TRANSACTIONS FOR THE SIX MONTHS ENDED JUNE 30, 2006:

The Company issued 1,319,550 shares of stock for \$1,485,890 cash.

THE FOLLOWING DETAILS THE STOCK TRANSACTIONS FOR THE YEAR ENDED DECEMBER 31, 2005:

The Company issued 745,655 shares of stock for \$914,507 cash.

The Company issued 37,500,000 shares of common stock to Careful Sell Holding, L.L.C. in connection with the Technology Contribution Agreement referred to in (Note 9).

The Company issued 80,800 shares of common stock as the remaining balance due in exchange for real estate at a value of \$1.00 per share.

The Company issued 53,500 shares of common stock for services at a value of \$1.00 per share.

The Company issued 1,087 shares of common stock in conversion of accounts payable to equity at a value of \$1.00 per share.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 8-

STOCKHOLDERS' EQUITY (DEFICIT)

WARRANTS

The Company issued -0- and -0- Class A warrants during the six months ended June 30, 2006 and 2005, respectively. These warrants were exercisable for the purchase of common stock for \$9.00 per share. These warrants initially expired on July 31, 2005. Effective July 29, 2005 the Company modified the terms of the Class A warrants and extended the term for exercise. Each holder of Class A warrants was provided with written notice of the right to exchange the Class A warrants for Class C, D and E warrants. As of December 31, 2005 all of the remaining outstanding Class A warrants had expired.

For each Class A warrant exchanged the Shareholder shall receive one Class C warrant, one Class D warrant and one Class E warrant.

Class C warrants shall be exercisable, at an exercise price of \$1.00 per share, for a period of thirty days from the date that the Shareholder signs the written form agreeing to the Warrant Exchange Program. No Class C warrants were issued.

For each Class C warrant exercised, the Shareholder shall be entitled to exercise one Class D warrant, at an exercise price

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of \$2.75 per share, for a period of ninety days from agreeing to the Warrant Exchange Program. The Company issued 27,000 and -0- Class D warrants during the six months ended June 30, 2006 and 2005, respectively. A total of 211,000 Class D warrants were outstanding as of June 30, 2006.

For each Class D warrant exercised, the Shareholder shall be entitled to exercise one Class E warrant, at an exercise price of \$4.00 per share, for a period of one hundred fifty days from agreeing to the Warrant Exchange Program. To the extent that a Shareholder does not exercise their Class D warrants before they expire, the corresponding number of Class E warrants shall become null and void and of no further force or effect. The Company issued 27,000 and -0- Class E warrants during the six months ended June 30, 2006 and 2005, respectively. A total of 211,000 Class E warrants were outstanding as of June 30, 2006.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 8- STOCKHOLDERS' EQUITY (DEFICIT)

WARRANTS (CONTINUED)

The Company issued 1,291,050 and 816,867 Class B warrants during the six months ended June 30, 2006 and 2005, respectively. The Class B warrants entitle the holder to purchase one share of common stock for \$2.75 per share. A total of 3,591,217 Class B warrants were exercisable at June 30, 2006. None of the Class B warrants were exercised during the six months ended June 30, 2006. The Class B warrants initially expired on July 15, 2005. Effective July 1, 2005 the Company authorized the extension of the expiration date of the Class B warrants up until, but no later than, one year after the stock in the Company is publicly trading.

NOTE 9- RELATED PARTY TRANSACTION

In January 2005 the Company formalized a prior intended agreement with Careful Sell Holding, L.L.C. ("Careful Sell"), a Delaware limited liability company formed by the President of the Company. The Company's President and his spouse, a Director of the Company, own all of the limited liability interests of Careful Sell. The Company's President is also the Manager of Careful Sell. Under the revised agreement the Company entered into a Technology Contribution Agreement (the "Agreement"), with Careful Sell. Careful Sell is the owner of all the rights to the inventions of the Company's President. The Agreement transfers to the Company 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. The terms of the Agreement include a

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provision whereby the Company will pay Careful Sell royalties of 2% of all revenues derived from the inventions. In further consideration for the transfer of the inventions, the Company has issued to Careful Sell a total of 37,500,000 shares of common stock of the Company. This Agreement supercedes a prior agreement not formalized between the Company and Careful Sell in 2002.

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CARBON RECOVERY CORPORATION
(A DEVELOPMENT STAGE COMPANY)
NOTES TO REVIEWED FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006 AND 2005

NOTE 9- RELATED PARTY TRANSACTION (CONTINUED)

In January 2006 Careful Sell merger with PSO Enterprises, Inc., a Delaware corporation ("PSO"). At that time the separate existence of Careful Sell ceased and PSO continues as the surviving corporation. At that time the members of Careful Sell were issued 10,000,000 shares of PSO representing a 100% interest in PSO. In February 2006 PSO reversed merged into Mobilestream Oil.

NOTE 10- RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Company has restated its previously issued financial statements for the year ended December 31, 2005 on its report dated March 3, 2006. The Company has restated its financial statements to properly reflect the effect of a non-monetary transfer of an asset between the Company and a related entity. This transaction resulted in a decrease in stockholders' equity of \$37,500,000. There was no effect on the net loss applicable to common shares for the year ended December 31, 2005.

NOTE 11- COMMITMENTS AND CONTINGENCIES

Effective January 1, 2005 the Company entered into an employment agreement with its President. Under the agreement the President shall be entitled to an annual base salary of \$250,000 in 2005 escalating to \$366,025 in 2009. In 2005, \$156,000 of the salary shall be paid ratably during the course of the year and the remaining \$94,000 will be paid in accordance with the terms of the agreement. The initial term of the agreement is for a period of five years. The President has the option to renew this agreement for a second five-year term. In addition to the base salary the Company has granted the President 545,000 shares of restricted common stock as deferred compensation. The common stock vests to the President over a five-year period commencing January 1, 2005.

During the fourth quarter of 2005 the Company entered into an agreement to purchase equipment for a total purchase price of approximately \$328,000. As of June 30, 2006 the Company has made payments of approximately \$251,000 toward the purchase of the equipment. Delivery of the equipment is anticipated during

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the third quarter of 2006.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

GLOBAL RESOURCE CORPORATION

By: /s/ Frank G. Pringle

Dated: August 7, 2007