

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-QSB

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

FOR THE QUARTERLY PERIOD ENDED: March 31, 2007

OR

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File Number 1-15497

RecycleNet Corporation

(Exact name of small business issuer in its charter)

Utah

(State or other jurisdiction of  
incorporation or organization)

87-0301924

(IRS Employer Identification No.)

175 East 400 South, Suite 900, Salt Lake City Utah, 84111  
(Address of principal executive offices, including Zip Code)

801-531-0404

(Issuer's telephone number)

State the number of shares outstanding of the issuer's classes of common equity, as of the latest practicable date:

The number of common shares outstanding at April 30, 2007: 77,108,214

The number of class N shares outstanding at April 30, 2007: 60,539,259

**RECYCLENET CORPORATION AND SUBSIDIARIES**  
**FORM 10-QSB**  
**QUARTER ENDED March 31, 2007**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>PART I – FINANCIAL INFORMATION</b>	
Item 1. Financial Statements	
Condensed Consolidated Balance Sheets – March 31, 2007 and December 31, 2006 (Unaudited) .....	3
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2007 and 2006 (Unaudited) .....	4
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2007 and 2006 (Unaudited) .....	5
Notes to Condensed Consolidated Financial Statements .....	6
Item 2. Management’s Discussion and Analysis.....	7
Item 3. Controls and Procedures .....	10
<b>PART II – OTHER INFORMATION</b>	
Item 1. Legal Proceedings.....	10
Item 2. Changes in Securities and Small Business Issuer Purchase of Equity Securities .....	10
Item 3. Default Upon Senior Securities .....	10
Item 4. Submission of Matters to a Vote of Security Holders.....	10
Item 5. Other Information .....	10
Item 6. Exhibits and Reports on Form 8-K.....	10
Signatures .....	12

**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**RECYCLENET CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 317,958	\$ 315,304
Trade accounts receivable, net of \$2,500 allowance for bad debt	34,099	33,468
Other receivables	-	844
Prepaid expenses	4,256	16,022
<b>Total Current Assets</b>	<b>356,313</b>	<b>365,638</b>
<b>Property and Equipment</b>		
Computer equipment	71,607	71,607
Less: Accumulated depreciation	(41,934)	(39,991)
<b>Net Property and Equipment</b>	<b>29,673</b>	<b>31,616</b>
Related party receivable- Scrap China Corporation	118,687	110,957
Due from Affiliate	5,000	5,000
<b>Net Related Party Receivables</b>	<b>123,687</b>	<b>115,957</b>
<b>Total Assets</b>	<b>\$ 509,673</b>	<b>\$ 513,211</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accrued liabilities	\$ 40,859	\$ 48,503
Deferred revenue	138,253	135,143
<b>Total Current Liabilities</b>	<b>179,112</b>	<b>183,646</b>
<b>Stockholders' Equity</b>		
Class N convertible shares (and Class X shares of Amalco) - \$0.01 par value; 70,896,789 shares authorized; 60,539,259 shares issued and outstanding	605,393	605,393
Common shares - \$0.01 par value; 179,103,211 shares authorized; 77,108,214 shares issued and outstanding	771,082	771,082
Additional paid-in capital	34,315	34,315
Accumulated deficit	(1,080,229)	(1,081,225)
<b>Total Stockholders' Equity</b>	<b>330,561</b>	<b>329,565</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 509,673</b>	<b>\$ 513,211</b>

See the accompanying notes to the condensed consolidated financial statements.

**RECYCLENET CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

<i>For the Three Months Ended March 31,</i>	<b>2007</b>	<b>2006</b>
<b>Sales</b>	\$ 309,506	\$ 265,846
<b>Operating Expenses</b>		
Selling, general and administrative expenses	307,930	271,985
Foreign currency exchange loss	580	1,493
<b>Total Operating Expenses</b>	308,510	273,478
<b>Income (Loss) From Continuing Operations</b>	996	(7,632)
<b>Discontinued Operations</b>		
Loss from discontinued operations	-	(4,494)
<b>Net Income (Loss)</b>	\$ 996	\$ (12,126)
<b>Basic Income (Loss) Per Common Share From</b>		
Continuing Operations	\$ -	\$ -
Discontinued Operations	-	-
<b>Basic Income (Loss) Per Common Share</b>	\$ -	\$ -
<b>Diluted Income (Loss) Per Common Share From</b>		
Continuing Operations	\$ -	\$ -
Discontinued Operations	-	-
<b>Diluted Income (Loss) Per Common Share</b>	\$ -	\$ -
<b>Basic Weighted-Average Common Shares Outstanding</b>	77,108,214	77,108,214
<b>Diluted Weighted-Average Common Shares Outstanding</b>	137,647,473	77,108,214

See the accompanying notes to the condensed consolidated financial statements.

**RECYCLENET CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<i>For The Three Months Ended March 31,</i>	<b>2007</b>	<b>2006</b>
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$ 996	\$ (12,126)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,943	1,224
Foreign currency exchange loss	(580)	(1,493)
Changes in assets and liabilities:		
Accounts and other receivables	359	(3,844)
Prepaid expenses	11,766	(1,817)
Accounts payable and accrued liabilities	(9,115)	3,110
Deferred revenue	2,964	12,321
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>8,333</b>	<b>(2,625)</b>
<b>Cash Flows From Investing Activities:</b>		
Advances to related party	(7,730)	(64,910)
Purchase of property and equipment	-	(795)
<b>Net Cash Used In Investing Activities</b>	<b>(7,730)</b>	<b>(65,705)</b>
<b>Cash Flows from Financing Activities:</b>		
Contribution from spin off of Scrap China	-	58,624
<b>Net Cash Flows Provided by Financing Activities:</b>	<b>-</b>	<b>58,624</b>
<b>Effect of Exchange Rate Changes on Cash</b>	<b>2,051</b>	<b>739</b>
<b>Net Change in Cash</b>	<b>2,654</b>	<b>(8,967)</b>
<b>Cash at Beginning of Period</b>	<b>315,304</b>	<b>226,979</b>
<b>Cash at End of Period</b>	<b>\$ 317,958</b>	<b>\$ 218,012</b>

See the accompanying notes to the condensed consolidated financial statements.

**RECYCLENET CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 1—ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** — The accompanying condensed consolidated financial statements have been prepared by RecycleNet Corporation and are unaudited. In the opinion of management, the accompanying unaudited financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America.

The accompanying unaudited interim financial statements have been condensed pursuant to the rules and regulations of the Securities and Exchange Commission; therefore, certain information and disclosures generally included in financial statements have been condensed or omitted. These financial statements should be read in conjunction with the Company's annual financial statements included in the Company's annual report on Form 10-KSB as of December 31, 2006. The financial position and results of operations of the interim periods presented are not necessarily indicative of the results to be expected for the year ended December 31, 2007.

**Reclassification** — Certain amounts have been reclassified to conform to the March 31, 2007 presentation. This has resulted in no change to the net income of the Company.

**Corrected prior year financial** - During the course of preparing the financial statements for the three months ended March 31, 2007, the Company identified certain prior period misstatements whose impact was not material, either individually or in aggregate, to the Company's financial statements for the year ended December 31, 2006. However, these misstatements were considered material to the Company's financial statements for the three months ended March 31, 2007. As a result, the Company corrected the financial statements for the year ended December 31, 2006. The corrected balance sheet as of December 31, 2006 is included in these financial statements. These misstatements relate to recognizing deferred revenue in a subsidiary of the Company. The effect of correcting these misstatements resulted in an increase in deferred revenue of \$2,345 and an decrease in total equity of \$2,345, which included a decrease in net loss of \$1,179.

**NOTE 2—RELATED PARTY TRANSACTIONS**

**Related Party Receivable** — As at March 31, 2007, the Company had advanced \$118,687 to Scrap China Corporation. This resulted from expenses incurred for travel, management and legal and accounting expenses paid on behalf of Scrap China Corporation. Additional funds, if required, will be provided by the Company and will be treated as an advance to a related party. These advances are due on demand and bear no interest.

The Company has an agreement with Inter-Continental Recycling, Inc. to provide various services for the Company. Inter-Continental Recycling, Inc. is owned 100% by the immediate family of the President of the Company. The Company is billed monthly for services supplied for management and sales activities, which vary monthly based on the activity level. The charges for these services for the three months ended March 31, 2007 and 2006 were \$93,529 and \$128,348 respectively.

**NOTE 3—STOCKHOLDERS' EQUITY**

On November 24, 2005, the Board of Directors approved a pro-rata spin-off of all shares of Scrap China Corporation effective January 20, 2006.

The common shareholders of RecycleNet received one share of Scrap China Corporation for every ten shares of RecycleNet common stock. The Board of Directors of RecycleNet decided to distribute the Scrap China Corporation shares to the RecycleNet shareholders to benefit its shareholders and to separate the different lines of business.

Scrap China Corporation now functions as its own fully reporting entity and is no longer a wholly owned subsidiary of RecycleNet Corporation.

At January 20, 2006, Scrap China had common stock of \$10,000 and accumulated losses of \$68,624. This spin-off

of Scrap China Corporation resulted in the shareholders of the Company assuming the common stock and accumulated losses of Scrap China Corporation and the Company recorded a contribution from shareholders in the amount of \$58,624.

#### **NOTE 4—BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE**

Basic income (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding. Diluted income (loss) per common share is calculated by dividing net income (loss) by the weighted-average number of Class N (and Class X) shares and common shares outstanding to give effect to potentially issuable common shares, except during loss periods when those potentially issuable shares are anti-dilutive. At March 31, 2007, the Company had 60,539,259 Class N (and Class X) shares outstanding that were excluded from the calculation of diluted loss per share. The shares used in the computation of basic and diluted income (loss) per common share for the three months ended March 31, 2007 and 2006 are reconciled as follows:

	<b>For the three months ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
Weighted-average number of common shares used in basic income (loss) per common share calculation	77,108,214	77,108,214
Incremental potentially issuable common shares from assumed conversion of Class N (and Class X) common shares	60,539,259	-
Weighted-average number of common shares and dilutive potential common shares used in diluted income (loss) per common share calculation	137,647,473	77,108,214

#### **NOTE 5—ACQUISITIONS**

During the first quarter of 2007, the Company purchased the web domain “scrap.net” and all rights to the name for cash of \$7,669.

During the first half of 2006, the Company purchased the web domain’s “BMEx.org” and “wastechange.org” and all rights to the names for cash of \$3,500 and \$35,000, respectively.

The entire purchase price for these websites were allocated to the website which was accounted for as marketing and advertising costs in accordance with Statement of Position No. 98-01. Accordingly, the advertising costs were expensed at the date of acquisition.

#### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**

##### **Cautionary Statement Regarding Forward-Looking Statements**

Certain statements contained in this Section and elsewhere in this Form 10-QSB regarding matters that are not historical facts are forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such forward-looking statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. All statements that address operating performance, events or developments that management expects or anticipates to occur in the future, including statements relating to sales and earnings growth or statements expressing general optimism about future operating results, are forward-looking statements. The forward-looking statements are based on management's current views and assumptions regarding future events and operating performance. Many factors could cause actual results to differ materially from estimates contained in management's forward-looking statements. The differences may be caused by a variety of factors, including but not limited to adverse economic conditions, competitive pressures, inadequate capital, unexpected costs, lower revenues, net income and forecasts, the possibility of

fluctuation and volatility of our operating results and financial condition, inability to carry out marketing and sales plans and loss of key executives, among other things.

### **Overview**

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the financial statements and notes related thereto, included elsewhere in this report.

RecycleNet Corporation provides "Global Access to Recycling Markets" (GARM) through Internet portals that facilitate e-commerce trading.

### **Results of Operations**

RecycleNet Corporation (an Ontario Private Corporation) was incorporated on December 22, 1997 and purchased the ongoing business proprietorship of Mr. Paul Roszel. The Company operated its business activities and continued to expand its operations throughout the following period.

In the year 2000, the Company recognized the need for specific geographic web portals within its business and established an online presence to correspond with each continent. The Company also believed that the growing potential for business in Asia demanded separate attention and therefore, implemented a strategy to establish a Secondary Commodity Clearinghouse service in China. The Company's plan was to set up a base of operations in China and to obtain all necessary permits, registrations or licenses required to facilitate the import of scrap materials into China.

As a result, on June 15, 2005, Scrap China Corporation was organized under the laws of the State of Utah as a new business segment and considered to be a development stage enterprise.

On June 15, 2005, upon inception of Scrap China Corporation, initial seed capital of \$10,000 was provided by the Company by purchasing 10,000,000 common shares (100%). The funds provided were used to establish a base of operations in China.

On November 24, 2005, the Board of Directors of the Company adopted a resolution declaring a pro-rata spin-off of all shares of Scrap China Corporation owned by the Company effective January 20, 2006.

As of January 20, 2006 the spin-off of Scrap China Corporation was completed. Scrap China Corporation shares were issued to all common shareholders of record of the Company as at the close of business on January 20, 2006. The shareholders of RecycleNet Corporation received one share of Scrap China Corporation for every ten shares of RecycleNet Corporation. The Board of Directors of the Company decided to distribute the Scrap China Corporation shares to the RecycleNet shareholders to benefit its shareholders and to separate the different lines of business.

Scrap China Corporation now functions as its own fully reporting entity and is no longer a wholly owned subsidiary of RecycleNet Corporation.

### **Sales Revenues**

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
Sales Revenues	\$309,500	\$265,800

Sales revenues recorded for the three months ended March 31, 2007 of \$309,500 have increased \$43,700 from the \$265,800 recorded during the similar period of 2006, a 16.0% improvement. This quarter reflects a modest improvement in sales compared to the similar period of 2006.

## Operating Expenses

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
General and Administrative Expenses	\$ 307,900	\$272,000

General and Administrative Expenses increased by \$35,900 for the first quarter of 2007 compared to the \$272,000 recorded for the similar period of 2006. Increases were recorded in sales commissions of \$20,400, a result of increased sales and new services being offered, increases in office and administration expenses of \$11,800, and an increase in travel costs of \$7,500 supporting our marketing efforts at conventions and trade shows to “Brand” the “RecycleNet” name. Savings were realized in Salaries and wages of \$2,600 and \$3,000 in telephone expenses. The remaining expense categories reflected only minor variances.

## Net Profit (Loss) from Continuing Operations

	<b>For the Three Months Ended</b>	
	<b>March 31</b>	
	<b>2007</b>	<b>2006</b>
Income (loss) from continuing operations	\$ 1,000	\$(7,600)

The first quarter recorded a near break-even position compared to the \$(7,600) loss recorded in the same period of 2006. This improvement resulted primarily from the \$43,700 increase in sales revenues with the quarterly expenses increasing by only \$35,900. The management of the company continues to expend our cash to continually promote the company and to continually improve our operating programs.

The Company incurs the majority of expenses in Canadian dollars, but recovers sales revenue in US dollars. From March 2006 to March 2007, the company has not incurred a significant expense regarding foreign exchange.

## Discontinued Operations

On November 24, 2005, the Board of Directors of RecycleNet Corporation adopted a resolution declaring a pro-rata spin-off of all shares of Scrap China Corporation owned by the Company effective January 20, 2006.

Scrap China Corporation shares were issued to all common shareholders of record of the Company as at the close of business on January 20, 2006. The shareholders of RecycleNet received one share of Scrap China Corporation for every ten shares of RecycleNet. The Board of Directors of RecycleNet decided to distribute the Scrap China shares to the RecycleNet shareholders to benefit its shareholders and to separate the different lines of business.

Scrap China Corporation now functions as its own fully reporting entity and is no longer a wholly owned subsidiary of RecycleNet Corporation.

## Liquidity and Capital Resources

	<b>March 31,</b>	<b>December 31,</b>
	<b>2007</b>	<b>2006</b>
Cash on Hand	\$318,000	\$315,300

The Company’s current cash position of \$318,000 has increased slightly from the balance at December 31, 2006 of \$315,300. The company has generated this improvement primarily from our working capital cash improvement. Cash increases from prepaid expenses and deferred revenue less decreases in accrued liabilities and advances to Scrap China resulted in the \$2,700 net improvement. Since the company has no corporate debt which required capital and interest payments, the small additional cash generated can be allocated to improving our current business activities or allocated to new business opportunities.

## Deferred Revenue

	<b>March 31,</b>	<b>December 31,</b>
	<b>2007</b>	<b>2006</b>
	\$138,200	\$135,100

Deferred revenue results from RecycleNet customers who pay for their service purchases in advance, such as quarterly, semi-annually, or annually. RecycleNet records the initial payment in deferred revenue and then recognizes in each subsequent month that proportion which is provided in services. As of March 31, 2007, deferred revenue of \$138,200 has increased compared to the December 31, 2006 balance of \$135,100, reflecting increased sales recorded in the year which have a deferred portion inherent in the sale contract.

### **ITEM 3. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d015(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

To the knowledge of the Company there are no pending or threatened litigation or proceedings against the Company.

### **ITEM 2. CHANGES IN SECURITIES AND SMALL BUSINESS ISSUER PURCHASE OF EQUITY SECURITIES**

None

### **ITEM 3. DEFAULT UPON SENIOR SECURITIES**

None

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

### **ITEM 5. OTHER INFORMATION**

None

### **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

a) Exhibits.

Exhibit	Description
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31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to U.S.C Section 1350 as adopted pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002  
(b) Reports on Form 8-K.  
None

## SIGNATURES

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

RecycleNet Corporation

May 15, 2007

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Paul Roszel, President and Chairman of the Board of  
Directors

May 15, 2007

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Richard Ivanovick, C.A., Chief Financial and  
Accounting Officer