

INTERNATIONAL STAR INC  
Form 10QSB  
August 21, 2006

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

**FORM 10-QSB**

(Mark One)

**R** QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the quarterly period ended June 30, 2006**

**£** TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-28861

**INTERNATIONAL STAR, INC.**

(Exact name of small business as specified in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or organization)

**86-0876846**

(IRS Employer Identification No.)

**2405 Ping Drive**

**Henderson, NV 89074**

(Address of principal executive offices)

**(702) 897-5338**

(Issuer's telephone number)

(Former name, former address, and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **R** No **\***

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be file by Section 12, 13, or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by the court. Yes **£** No **£**

**APPLICABLE ONLY TO CORPORATE ISSUERS**

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

**The Company had 235,832,871 shares of common stock outstanding at August 16, 2006.**

Transitional Small Business Disclosure Format (Check one): Yes  No

1

---

**INTERNATIONAL STAR, INC.**  
**Form 10-QSB**  
**For The Quarterly Period Ended June 30, 2006**

**TABLE OF CONTENTS**

<b><u>PART I</u></b>	<b>3</b>
<b><u>FINANCIAL INFORMATION</u></b>	<b>3</b>
<b><u>ITEM 1. FINANCIAL STATEMENTS</u></b>	<b>3</b>
<b><u>ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION</u></b>	<b>11</b>
<b><u>ITEM 3. CONTROLS AND PROCEDURES</u></b>	<b>17</b>
<b><u>PART II</u></b>	<b>18</b>
<b><u>OTHER INFORMATION</u></b>	<b>18</b>
<b><u>ITEM 1. LEGAL PROCEEDINGS</u></b>	<b>18</b>
<b><u>ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u></b>	<b>18</b>
<b><u>ITEM 3. DEFAULTS UPON SENIOR SECURITIES</u></b>	<b>19</b>
<b><u>ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u></b>	<b>19</b>
<b><u>ITEM 5. OTHER INFORMATION</u></b>	<b>19</b>
<b><u>ITEM 6. EXHIBITS</u></b>	<b>20</b>

**PART 1**

**FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

The following unaudited financial statements of International Star, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, these financial statements may not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the audited financial statements and the notes thereto for the fiscal year ending December 31, 2005. In the opinion of management, these unaudited financial statements contain all adjustments necessary to fairly present the Company's financial position as of June 30, 2006 and its results of operations and its cash flows for the three and six month periods ended June 30, 2006.

3

---

**INTERNATIONAL STAR, INC.  
AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)**

**CONSOLIDATED BALANCE SHEETS  
(Unaudited)**

ASSETS	June 30, 2006	December 31, 2005
<b>Current Assets:</b>		
Cash	\$ 29,767	\$ 205,220
<b>Total Current Assets</b>	<b>29,767</b>	<b>205,220</b>
<b>Fixed Assets (Net of Depreciation)</b>		
	30,264	31,964
<b>Total Assets</b>	<b>\$ 60,031</b>	<b>\$ 237,184</b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued interest	\$ 102,956	\$ 93,067
Note Payable	250,000	250,000
<b>Total Current Liabilities</b>	<b>352,956</b>	<b>343,067</b>
<b>Stockholders' Equity (Deficit):</b>		
Preferred stock, undesignated par value; authorized 20,000,000 shares, no shares issued and outstanding		
Common Stock, \$.001 par value; authorized 780,000,000 shares; issued and outstanding 230,336,771 and 212,987,443 at March 31, 2006 and December 31, 2005, respectively.		
	\$ 230,336	\$ 212,987
Paid-In Capital	3,813,710	3,524,059
Accumulated Deficit	(4,336,971)	(3,842,929)
<b>Total Stockholders' Equity (Deficit)</b>	<b>(292,925)</b>	<b>(105,883)</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 60,031</b>	<b>\$ 237,184</b>

See accompany notes to the financial statements.

**INTERNATIONAL STAR, INC.  
AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)**

**CONSOLIDATED STATEMENT OF OPERATIONS  
(Unaudited)**

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	From January 1, 2004 (Date of inception of exploration stage) to June 30, 2006
<b>Revenue:</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Revenue</b>	-	-	-	-	-
<b>Expenses:</b>					
Mineral exploration costs	7,494	95,035	15,474	274,712	494,259
Professional fees	34,500	7,226	37,410	16,073	149,658
Compensation & management fees	146,803	116,661	238,013	216,576	1,155,567
Depreciation & amortization	850	1,614	1,700	3,228	6,173
General & administrative	58,723	30,099	193,945	72,459	329,934
<b>Total Expenses</b>	(248,370)	(250,635)	(486,542)	(583,048)	(2,135,591)
<b>Net (loss) from operations</b>	\$ (248,370)	\$ (250,635)	\$ (486,542)	\$ (583,048)	\$ (2,135,591)
<b>Other Income (Expense):</b>					
Interest expense	(3,750)	(3,750)	(7,500)	(7,500)	(48,027)
Loss on divestiture of subsidiary	-	-	-	-	(99,472)
<b>Total Other Income (Expense)</b>	(3,750)	(3,750)	(7,500)	(7,500)	(147,499)
<b>Net (loss)</b>	(252,120)	(254,385)	(494,042)	(590,548)	(2,283,090)
<b>Weighted Average Shares Common Stock Outstanding</b>	228,573,330	196,318,418	223,710,249	195,874,356	
<b>Net Loss Per Common Share</b>	(0.00)	(0.00)	(0.00)	(0.00)	

**(Basic and Fully  
Dilutive)**

**See accompany notes to the financial statements.**

5

---

**INTERNATIONAL STAR, INC.  
AND SUBSIDIARIES  
(AN EXPLORATION STAGE COMPANY)**

**STATEMENT OF CASH FLOWS  
(Unaudited)**

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005	From January 1, 2004 (date of inception of exploration stage) to June 30, 2006
<b>Cash Flows Used in Operating Activities:</b>					
<b>Net Loss</b>	\$ (252,120)	\$ (254,385)	\$ (494,042)	\$ (590,548)	\$ (2,283,090)
<b>Adjustments to reconcile net (loss) to net cash provided by operating activities:</b>					
Depreciation & Amortization	850	1,614	1,700	3,228	6,173
Loss in divestiture of subsidiary	-	-	-	-	99,472
Common stock issued for services	76,000	-	133,500	-	207,500
<b>Net Cash used in Operations</b>	<b>(175,270)</b>	<b>(252,771)</b>	<b>(358,842)</b>	<b>(587,320)</b>	<b>(1,969,945)</b>
<b>Changes to Operating Assets and Liabilities:</b>					
(Increase) decrease in Accounts Receivable and Prepaids	-	-	-	54,000	20,955
(Increase) decrease in inventories	-	-	-	-	63,812
(Increase) decrease in other assets	-	-	-	-	92,874
(Decrease) increase in accounts payables and accrued interest	48,058	11,773	9,889	32,613	27,046
(Decrease) increase in accrued liability	-	-	-	-	(189,092)
<b>Cash Flows Used in Operating Activities</b>	<b>(127,212)</b>	<b>(240,998)</b>	<b>(348,953)</b>	<b>(500,707)</b>	<b>(1,954,350)</b>
<b>Cash Flows from Investing Activities:</b>					
Purchase of fixed assets	-	-	-	-	(29,355)



<b>Cash Flows from Investing Activities</b>	-	-	-	-	<b>(29,355)</b>
<b>Cash Flows from Financing Activities:</b>					
Proceeds from note payable	-		-		<b>250,000</b>
Proceeds from sale of common stock	<b>20,000</b>	<b>198,709</b>	<b>173,500</b>	<b>330,921</b>	<b>1,399,326</b>
<b>Cash Flows from Financing Activities</b>	<b>20,000</b>	<b>198,709</b>	<b>173,500</b>	<b>330,921</b>	<b>1,649,326</b>
<b>Net Increase (Decrease) in Cash</b>	<b>(107,212)</b>	<b>(42,289)</b>	<b>(175,453)</b>	<b>(169,786)</b>	