

Edgar Filing: INTERNATIONAL STAR INC - Form 10QSB

INTERNATIONAL STAR INC
Form 10QSB
May 16, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2005

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

86-0876846

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

2266 Chestnut Bluffs, Henderson, NV, Henderson, NV 89052

(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 No

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

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Check whether the registrant filed all documents and reports required to be filed 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 196,696,043 shares of common stock outstanding at May 5, 2005.

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

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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, 2004. In the opinion of management, these unaudited financial statements contain all adjustments necessary to fairly present the Company's financial position as of March 31, 2005 and its results of operations and its cash flows for the three months ended March 31, 2005.

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INTERNATIONAL STAR, INC.
AND SUBSIDIARIES
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS

	March 31, 2005	December 31, 2004
	-----	-----
Current Assets:		
Cash	\$ 72,769	\$ 200,266

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Prepaid expenses	-	54,000
	-----	-----
Total Current Assets	72,769	254,266
Mineral Assets:		
	-----	-----
Total Mineral Assets	-	-
Fixed Assets (Net of Depreciation)	31,964	33,578
Total Assets	\$ 104,733	\$ 287,844
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts payable and accrued interest	\$ 22,115	\$ 1,275
	-----	-----
Total Current Liabilities	22,115	1,275
Long-term Liabilities:		
Note Payable	250,000	250,000
	-----	-----
Total Long-term Liabilities	250,000	250,000
Stockholders' Equity (Deficit):		
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		
197,035,857 and 193,286,223 at March 31, 2005		
and December 31, 2004, respectively.		
	\$ 197,036	\$ 64,430
Paid-In Capital	3,015,393	3,015,787
Accumulated Deficit	(3,379,811)	(3,043,648)
	-----	-----
Total Stockholders' Equity (Deficit)	(167,382)	36,569
Total Liabilities and Stockholders' Equity	\$ 104,733	\$ (287,844)
	=====	=====

See accompanying notes to the financial statements.

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INTERNATIONAL STAR INC.
AND SUBSIDIARIES
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

Three Months Ended	Three Months Ended	From January (Date of in of explorati
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	March 31, 2005	March 31, 2004	to March 31, 2004
	-----	-----	-----
Revenue:	\$	\$	\$
Total Revenue	-	-	
Gross Profit	\$	\$	\$
Expenses:			
Mineral exploration costs	179,677	110,370	
Interest expense	3,750	3,750	
Professional fees	8,847	16,843	
Compensation & management fees	99,915	60,000	
Depreciation & amortization	1,614	399	
General & administrative	42,360	33,695	
Total Expenses	(336,163)	225,057	1
Net (loss) from operations	\$ (336,163)	(225,057)	(1)
Other Income (Expense):			
Loss on divestiture of subsidiary	-	(43,370)	
Net (loss)	(336,163)	(268,427)	(1)
Weighted Average Shares Common Stock Outstanding	194,986,233	180,400,545	
Net Loss Per Common Share (Basic and Fully Dilutive)	(0.00)	(0.00)	

See accompanying notes to the financial statements.

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INTERNATIONAL STAR INC.
AND SUBSIDIARIES
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004	From Jan (date of explorati March
	-----	-----	-----
Cash Flows Used in Operating Activities:			
Net Loss	\$ (336,163)	\$ (268,427)	\$

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Adjustments to reconcile net (loss) to net cash provided			
by operating activities:			
Depreciation & Amortization	1,614	399	
Loss in divestiture of subsidiary	-	43,370	
Common stock issued for services	-	-	
	-----	-----	-----
Net Cash used in Operations	(334,549)	(224,658)	
Changes to Operating Assets and Liabilities:			
(Increase) decrease in Accounts Receivable and Prepaids	54,000	5,450	
(Increase) decrease in inventories	-	-	
(Increase) decrease in other assets	-	-	
(Decrease) increase in accounts payables and accrued interest	20,840	(6,619)	
(Decrease) increase in accrued liability	-	9,000	
	-----	-----	-----
Cash Flows Used in Operating Activities	(259,709)	(216,827)	
Cash Flows from Investing Activities:			
Purchase of fixed assets	-	-	
	-----	-----	-----
Cash Flows from Investing Activities	-	-	
Cash Flows from Financing Activities:			
Proceeds from sale of common stock	132,212	7,375	
	-----	-----	-----
Cash Flows from Financing Activities	132,212	7,375	
Net Increase (Decrease) in Cash	(127,497)	(209,452)	
Cash at Beginning of Period	200,266	364,146	
	-----	-----	-----
Cash at End of Period	\$ 72,769	\$ 154,694	\$
	=====	=====	=====

See accompanying notes to the financial statements.

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INTERNATIONAL STAR, INC.
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

A. BASIS OF PRESENTATION

The Interim financial statements of International Star, Inc. and Subsidiaries (the Company) for the three months ended March 31, 2005 and 2004 are not audited. The financial statements are prepared in accordance with the

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requirements for unaudited interim periods, and consequently do not include all disclosures required to be in conformity with accounting principles generally accepted in the United States of America.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the Company's financial position as of March 31, 2005 and the results of operations and cash flows for the three months ended March 31, 2005 and 2004.

The results of operations for the three months ended March 31, 2005 and 2004 are not necessarily indicative of the results for a full year period.

B. SIGNIFICANT ACCOUNTING POLICIES

1. Principles of Consolidation and Accounting Methods

These consolidated financial statements include the accounts of International Star, Inc., and Qwik Track, Inc. (a wholly owned subsidiary) for the three months ended March 31, 2005 and 2004.

2. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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.

3. Dividend Policy

The Company has not adopted a policy regarding the payment of dividends.

4. Mineral Properties and Equipment

The Company has expensed the costs of acquiring and exploring its properties during the periods in which they were incurred, and will

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continue to do so until it is able to determine that commercially recoverable ore reserves are present on the properties. If it determines that such reserves exist, it will capitalize further costs.

5. Basic and Dilutive Net Income (Loss) Per Share

Basic net income (loss) per share amounts are computed based on the weighted average number of shares actively outstanding in accordance with SFAS NO. 128 "Earnings Per Share." Diluted net income (loss) per share amounts are computed using the weighted average number of common shares and common equivalent shares outstanding as if shares had been issued on the exercise of any common share rights unless the exercise becomes antidilutive and then only the basic per share amounts are shown in the report.

6. Comprehensive Income

The Company adopted SFAS No. 130, "Reporting Comprehensive Income", which requires inclusion of foreign currency translation adjustments, reported

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separately in its Statement of Stockholders' Equity, in other comprehensive income. Such amounts are immaterial and have not been reported separately. The Company had no other forms of comprehensive income since inception.

7. Stock Based Compensation

The Company has elected to follow Accounting Principles Board Opinion No.25 (APB 25) and related interpretations in accounting for its employee stock options. Under APB25, when the exercise price of employee stock options is equal to the estimated market price of the stock on the date of grant, no compensation expense is recorded. The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 (SFAS 123) with respect to employee stock options.

8. Income Taxes

The Company has adopted SFAS No. 109 "Accounting for Income Taxes". The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, all expected future events, other than enactment of changes in the tax laws or rates, are considered.

Due to the uncertainty regarding the Company's future profitability, the future tax benefits of its losses have been fully reserved and no net tax benefit has been recorded in these financial statements.

9. Fair Value of Financial Instruments

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash, tax credit recoverable, reclamation bond, accounts payable and accrued liabilities, amount due to a director and loan payable.

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10. Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent account pronouncements will have a material effect on its financial statements.

11. Revenue Recognition

Revenue will be recognized on the sale and delivery of a product or the completion of a service provided.

12. Statement of Cash Flows

For the purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of nine months or less to be cash equivalents.

13. Financial and Concentration Risk

The Company does not have any concentration or related financial credit risk

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C. DIVESTITURE OF PITA KING BAKERIES INTERNATIONAL, INC.

Effective January 1, 2004, the original shareholders of Pita King Bakeries, International Inc. and the management of International Star, Inc. (the Company) mutually agreed to dissolve their business relationship. Under terms of this dissolution, the original shareholders of Pita King Bakeries International, Inc. returned 4,000,000 shares of common stock to the Company and the Company agreed to forgive a \$35,000 loan made to Pita King Bakeries International, Inc. The original shareholders of Pita King Bakeries International, Inc. were allowed to retain 139,500 share of the Company's common stock which they had received as part of the original purchase of Pita King Bakeries International, Inc. by the Company. The Company has recognized a loss of \$99,472 on the divestiture of Pita King Bakeries International, Inc.

D. Common Stock

On February 18, 2005, the Company adopted a plan for a 3:1 forward split of its common stock. As a result of this plan, the shareholders of record of the Company as of February 22, 2005 received three shares of the Company's common stock in exchange for one share. The Company increased its authorized common shares to 780,000,000 at \$0.001 par value. The Company also authorized 20,000,000 shares of undesignated preferred stock. The weighted average shares outstanding and net loss per common share have been compiled as if the forward split had occurred at inception of the Company. The total outstanding shares of common stock prior to the forward split were 64,428,741 and after the 3:1 forward split the total number of shares outstanding were 193,286,223.

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Item 2 - Management's Discussion and Analysis or Plan of Operation

We intend to focus on rising the funding necessary for further exploration on the Detrital Wash property. We believe the results of the limited sampling conducted in 1998 by AuRic Metallurgical Laboratories and completion of surface sampling program conducted by Kokanee Placer Ltd. warrant further investigation of the mineral potential of that property. During the year we secured additional funding through private placements of our common stock. Kilpatrick Life Insurance Co. and associated individuals of Shreveport, Louisiana purchased 4,765,152 shares of our common stock for \$425,000. Additionally, we secured funding through private placements in the amount of \$147,473 for 1,516,364 shares of our common stock, for a total of \$572,473 secured for 6,281,516 shares of common stock for the year.

We have no credit lines or other sources of cash. We believe our current cash is sufficient to sustain our administrative overhead over the next twelve months, and to commence some exploration operations on our Detrital Wash property. We will continue to pursue means to expand our exploration activities, either by seeking additional capital through loans or private placements of our securities, or possibly entering joint venture arrangements with one or more other, more substantial companies. However, there are no arrangements now in place to further fund the company by any of these means, and the outcome of the discussions with other entities cannot be predicted. If we raise capital by selling our equity stock, the proportionate ownership of existing shareholders will be diminished (i.e., "diluted").

Item 3 - Controls And Procedures

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Our Principal Executive Officer and Principal Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and Principal Financial Officer have concluded that the company's current disclosure controls and procedures are effective to ensure that information required to be disclosed by the company in reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There was no change in the company's internal controls that occurred during the fourth quarter of the period covered by this report that has materially affected, or is reasonably likely to affect, the company's internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

None.

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Item 2 - Changes in Securities

During the three months ending on March 31, 2005, we issued and/or sold the securities listed in the table below without registration under the Securities Act of 1933.

No underwriters were involved in these transactions. Selling prices for the shares may have been discounted from then prevailing market prices to reflect the restricted status of the shares or the urgency of our need for capital. When shares were issued for property or services, in each instance the valuation of the property or services was based on the board of director's determination of the value received for the shares.

The securities were sold by our officers without the use of an underwriter. In effecting the sales, we relied on the exemption authority provided by Section 4(2) of the Securities Act of 1933, as amended, relating to sales not involving any public offering, and Regulation S, relating to securities sold in bona fide offshore transactions. We believe that all such sales were made by our executive officers in private, negotiated transactions without any advertising, public announcements or general solicitation. The purchasers of the shares represented themselves in writing to be, and we believe them to be, members of one or more of the following classes of purchaser:

- a. Officers, directors, promoters or control persons of the issuer;
- b. Accredited investors, as defined in Rule 501 under Regulation D of the Securities Act;
- c. Individuals who:
 - i. Are knowledgeable and sophisticated in investment matters;
 - ii. Are able to assess the risks of an investment such as in our securities;
 - iii. Are financially able to bear the risk of a loss of their entire investment; and
 - iv. Have access to pertinent information regarding the issuer and its operations.

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The shares are subject to the resale provisions of Rule 144 under the Securities Act of 1933, as amended, and may not be sold or transferred without registration except in accordance with that rule. Certificates representing the securities bear a legend to that effect.

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Date Issued	Class	Amount	Price	Number of Purchasers
January 27, 2005	Common Stock	193,098	\$0.15 (1)	2
February 11, 2005	Common Stock	257,073	\$0.15 (1)	1
February 18, 2005	Common Stock	509,306	\$0.049 (1)	1
March 23, 2005	Common Stock	500,000	\$0.10 (1)	1

(1) Issued for cash

Item 3 - Defaults Upon Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

Item 5 - Other Information

On February 18, 2005, the Company adopted a plan for a 3:1 forward split of its common stock. As a result of this plan, the shareholders of record of the Company as of February 22, 2005 received three shares of the Company's common stock in exchange for one share. The Company increased its authorized common shares to 780,000,000 at \$0.001 par value. The Company also authorized 20,000,000 shares of undesignated preferred stock. The weighted average shares outstanding and net loss per common share have been compiled as if the forward split had occurred at inception of the Company. The total outstanding shares of common stock prior to the forward split were 64,428,741 and after the 3:1 forward split the total number of shares outstanding were 193,286,223.

Item 6 - Exhibits and Reports on Form 8-K

We filed the following Current Reports on Form 8-K during the period:

Date	Item(s)
01-05-05	Item 7
02-10-05	Item 8
02-16-05	Item 9, Item 10
02-18-05	Item 11
03-25-05	Item 12

The following exhibits are filed with this quarterly report:

- Ex. 31.1 Certification of CEO
- Ex. 31.2 Certification of CFO
- Ex. 32.1 Certification of CEO
- Ex. 32.2 Certification of CFO

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INTERNATIONAL STAR INC.

May 16, 2005

Dated

/s/ Robert L. Hawkins

President