

INTERNATIONAL STAR INC
Form 10KSB
April 20, 2007

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

^x Annual Report Pursuant to Section 13 or 15(D) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2006.

^o Transition Report Under Section 13 or 15(D) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission file number: 000-26017

INTERNATIONAL STAR, INC.
(Exact name of Small Business Issuer as specified in its charter)

NEVADA
(State or other jurisdiction
of incorporation or organization)

86-0876846
(IRS Employer Identification No.)

1818 Marshall Street
Shreveport, LA
(Address of principal executive offices)

71101
(Zip Code)

Issuer's telephone number, including area code: (318) 464-8687
Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value \$0.001 per share

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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. ^o Yes ^x No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ^o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
^o Yes ^x No

State issuer's revenues for its most recent fiscal year ended December 31, 2006, was \$0.

Based on the closing sale price of \$0.012 on December 29, 2006, the aggregate market value of the voting stock held by non-affiliates of the registrant was \$1,926,869.68.

As of April 16, 2007, there were 271,450,195 shares of the registrant's Common Stock issued and outstanding.

Transitional Small Business Disclosure Format (check one): Yes ☐ No ☒

INTERNATIONAL STAR, INC.
Form 10-KSB
For the Fiscal Year Ended December 31, 2006

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PART I

FORWARD LOOKING STATEMENTS

This Form 10-KSB, the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission and public announcements that we have previously made or may subsequently make include, may include, incorporate by reference or may incorporate by reference certain statements that may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to such matters as, among other things, our anticipated financial performance, business prospects, technological developments, new products, future distribution or license rights, international expansion, possible strategic alternatives, new business concepts, capital expenditures, consumer trends and similar matters.

Forward looking statements necessarily involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievement expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intend," "expect," "anticipate," "assume", "hope", "plan," "believe," "seek," "estimate," "predict," "approximate," "p", "continue", or the negative of such terms. Statements including these words and variations of such words, and other similar expressions, are forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable based upon our knowledge of our business, we cannot absolutely predict or guarantee our future results, levels of activity, performance, or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of such statements.

We note that a variety of factors could cause our actual results and experience to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of our business include, but are not limited to, the following: changes in consumer spending patterns; changes in consumer preferences and overall economic conditions; the impact of competition and pricing; the financial condition of the suppliers and manufacturers from whom we source our merchandise; economic and political instability in foreign countries or restrictive actions by the governments of foreign countries in which suppliers and manufacturers from whom we source products are located or in which we may actually conduct or intend to expand our business; changes in tax laws, or the laws and regulations governing direct or network marketing organizations; our ability to hire, train and retain a consistent supply of reliable and effective participants in our direct or network marketing operation; general economic, business and social conditions in the United States and in countries from which we may source products, supplies or customers; the costs of complying with changes in applicable labor laws or requirements, including without limitation with respect to health care; changes in the costs of interest rates, insurance, shipping and postage, energy, fuel and other business utilities; the reliability, longevity and performance of our licensors and others from whom we derive intellectual property or distribution rights in our business; the risk of non-payment by, and/or insolvency or bankruptcy of, customers and others owing indebtedness to us; threats or acts of terrorism or war; and strikes, work stoppages or slow downs by unions affecting businesses which have an impact on our ability to conduct our own business operations.

Forward-looking statements that we make, or that are made by others on our behalf with our knowledge and express permission, are based on a knowledge of our business and the environment in which we operate, but because of the factors listed above, actual results may differ from those in the forward-looking statements. Consequently, these cautionary statements qualify all of the forward-looking statements we make herein. We cannot assure the reader that the results or developments anticipated by us will be realized or, even if substantially realized, that those results or developments will result in the expected consequences for us or affect us, our business or our operations in the way we expect. We caution readers not to place undue reliance on these forward-looking statements, which speak only as of their dates, or on any subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date hereof or thereof or to reflect the occurrence of unanticipated events.

ITEM 1. BUSINESS

Our Background and Business Development

International Star, Inc. (“us,” “we,” “our” or the “Company”) was organized under the laws of the State of Nevada on October 28, 1993 as Mattress Showrooms, Inc. In 1997, we changed our corporate name to International Star, Inc. and became engaged in the business of construction, sale and operation of state of the art waste management systems, specializing in turnkey systems for management of hospital, industrial, petroleum, chemical and municipal solid waste collection systems. Despite our efforts, we were unable to develop this business beyond the start-up stage. Following our unsuccessful venture in waste management, we refocused our business efforts on mineral exploration in 1998. Currently, we are primarily engaged in the acquisition and exploration of precious metals mineral properties. Since 1998, we have examined various mineral properties prospective for precious metals and minerals and have acquired interests in those we believe may contain precious metals and minerals. Our properties are located in Arizona. We have not established that any of our properties contain reserves. A reserve is that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Further exploration will be needed before a final determination can be made whether any property is economically and legally feasible. Therefore, at present we have no reserves and no income from mineral production.

On March 2, 1998, we entered into a Mining Property Lease Agreement with James R. Ardoin pursuant to which Mr. Ardoin leased to our Company the Detrital Wash mineral claims located around mile marker 22 on Highway 93, Mohave County, Arizona, for the purpose of exploring for minerals, and if minerals are found on the lands leased to us pursuant to this lease, for the extraction, treatment, and sale of such Minerals. In exchange, we agreed to pay Mr. Ardoin a production royalty equal to two percent (2%) of Net Smelter Returns (as defined in the Mining Property Lease). The term of this lease is for 20 years, although we have the option to renew the lease for successive 20 year terms.

In September 2000, we acquired from Gold Standard Mines, Inc. 51 lode mining claims located in the Wikieup mining district, Mohave County, Arizona (the “Wikieup Property”) and the exclusive rights to an extraction process for the recovery of precious metals from the Wikieup Property that was developed by the claim owner. We have not had the extraction process verified by an independent source. This acquisition was completed on March 26, 2001 and the consideration was 1,000,000 shares of our restricted common stock having an aggregate value of \$400,000 as of the date of the agreement. In exchange, we received a notarized quit claim deed granting us for all rights, interest and title to 51 lode Mining Claims, which was subsequently recorded at the United States Bureau of Land Management office in Phoenix, Arizona and at Mohave County in Kingman, Arizona.

On October 15, 2001, we announced the formation of a wholly owned subsidiary, Qwik Track, Inc., to engage in web-based information distribution services and to provide timely and accurate thoroughbred handicapping analytical data and statistical information to the international account wagering market. However, due to our limited finances and lack of funding, we have suspended the further development of Qwik-Track, Inc. for an indefinite period.

Effective October 1, 2002, we acquired Pita King Bakeries International, Inc. ("Pita King"). Up until we dissolved our business relationship with Pita King, this company operated as our wholly-owned subsidiary engaged in the production and marketing of a variety of pita breads and chips. However, effective January 1, 2004, we and the principals of Pita King mutually agreed to dissolve our business relationship pursuant to a Mutual Agreement to Dissolve Business Relationship (the "Dissolution Agreement"). Pursuant to the terms of the Dissolution Agreement, we forgave a debt owing from Pita King to our Company in the aggregate amount of \$35,000 and in exchange, the principals and officers of Pita King agreed to return 4,000,000 shares of our common stock that was issued in connection with our acquisition of Pita King. We agreed that the remaining 139,500 shares of our common stock that was issued to the original shareholders of Pita King in connection with the acquisition would remain the property of such shareholders and would be unaffected by the Dissolution Agreement. As a result, Pita King no longer operates as our wholly-owned subsidiary.

On February 16, 2005, we finalized an agreement with Zereko Nevada, Inc. (Zereko), a Nevada based corporation engaged in mining engineering and related services, for various services in support of the ongoing exploration activities at the Detrital Wash Property. Under the terms of the agreement, Zereko will review in detail available information on all previous work done on the property, define areas that merit further detailed examination, then propose an implementation plan, prepare budgets and obtain quotes for the indicated exploration activity.

On January 10, 2006, we entered into a joint venture agreement with Resolve Capital Funding Corporation, Inc. ("Resolve") for the formation of Star-Resolve Detrital Wash, LLC to engage in the development and commercial exploitation of the Detrital Wash Property. Each of Resolve and our Company will have a 50% membership interest in Star-Resolve Detrital Wash, LLC. As our capital contribution to the joint venture, upon the formation of Star-Resolve Detrital Wash, LLC, we are required to contribute our mineral rights in the Detrital Wash Property under a mining property lease. As Resolve's capital contribution to Star-Resolve Detrital Wash, LLC, Resolve is required to contribute 600,000 Canadian Dollars, equivalent to approximately \$518,000 translated into U.S. Dollars using current exchange rate, within 60 to 90 days of the joint venture's formation. In addition, Resolve is required to use its best efforts to manage Star-Resolve Detrital Wash, LLC, including, without limitation, providing Star-Resolve Detrital Wash, LLC with access to its industry related contracts and its expertise in the commercial exploitation of mineral rights. Resolve will be the exclusive managing member of Star-Resolve Detrital Wash, LLC. As of the date of filing of this report, Resolve has not made the required cash contribution and is in default under the joint venture agreement. Our management is currently engaged in discussions with Resolve regarding a resolution to Resolve's breach of the joint venture agreement. However, there can be no assurance that the parties will reach an amicable resolution.

Exploration Planning - Speculative Nature of Mineral Exploration

Exploration for and production of minerals is highly speculative and involves greater risks than exist in many other industries. Many exploration programs do not result in the discovery of minerals and any mineralization discovered may not be of a sufficient quantity or quality to be profitably mined. Also, because of the uncertainties in determining metallurgical amenability of any minerals discovered, the mere discovery of mineralization may not warrant the mining of the minerals on the basis of available technology.

Although we have processed and tested mineralized materials and produced very small amounts of precious metals on a testing basis (these have come from the testing of mineralized material from both the Detrital Wash and Wikieup Properties), our decision as to whether any of the mineral properties we now hold, or which we may acquire in the future, contain commercially mineable deposits, and whether such properties should be brought into production, will depend upon the results of the exploration programs and independent feasibility analysis and the recommendation of engineers and geologists. The decision will involve the consideration and evaluation of a number of significant factors, including, but not limited to:

- the ability to obtain all required permits;
- costs of bringing the property into production, including exploration and development or preparation of feasibility studies and construction of production facilities;
- availability and costs of financing;
- ongoing costs of production;
- market prices for the metals to be produced; and
- the existence of reserves or mineralization with economic grades of metals or minerals.

We cannot be certain that any of our properties contain commercially mineable mineral deposits, and no assurance can be given that we will ever generate a positive cash flow from production operations on such properties.

However, encouraged by the early stage exploration performed on our Detrital Wash Property by Kokanee Placer, Inc. of White Rock, BC, a geological exploration company and Zereko Nevada, Inc., a mining engineering company, and independent tests performed by us on our Wikieup Property, we are in the process of developing a staged exploration plan based on the perceived merits of the Detrital Wash Property and projected costs of further exploration.

Regulation

Our exploration activities are subject to various federal, state and local laws and regulations governing such matters as:

- prospecting;
- development;
- taxes;
- labor standards;

- waste disposal;
- occupational safety and health;
- protection of the environment;
- reclamation of the environment; and
- toxic substances.

We believe we are currently in substantial compliance with any such regulations that apply to us. However, we may not be able to anticipate all liabilities that may arise in the future under existing regulations, or the costs of compliance. If we are not in compliance, we may be subject to fines, clean-up orders, restrictions on our operations or other penalties.

Federal, state and local provisions regulating the discharge of material into the environment, or otherwise relating to the protection of the environment, such as the Clean Air Act, Clean Water Act, the Resource Conservation and Recovery Act, and the Comprehensive Environmental Response Liability Act ("Superfund") affect mineral operations. For exploration and mining operations, applicable environmental regulation includes a permitting process for mining operations, an abandoned mine reclamation program and a permitting program for industrial development and siting. Other non-environmental regulations can impact exploration and mining operations and indirectly affect compliance with environmental regulations. For example, a state highway department may have to approve a new access road to make a project accessible at lower costs, but the new road itself may raise environmental issues. Compliance with these laws, and any regulations, can make the development of mining claims prohibitively expensive, thereby impeding the sale or lease of properties, or curtailing profits or royalties, which might have been received. We cannot anticipate what the further costs and/or effects of compliance with any environmental laws might be.

Facilities

We own no production, laboratory or storage facilities and rent space as appropriate when necessary. Our executive offices are located at 1818 Marshall Street, Shreveport, LA 71101.

Employees

As of December 31, 2006, we had no employees other than our executive officers, nor any plans to recruit employees within the next twelve months.

Competition

The business of mineral exploration is highly competitive, and tends to be dominated by a limited number of major mining companies. Inasmuch as we have exclusive exploration rights to the properties that are the targets of our current exploration activities, we do not compete directly against any particular firm for sales or market share. However, many of the human and physical resources we may require, such as engineering professionals, managers, skilled equipment operators, and metallurgical and extractive processes and equipment, among others, are also sought by companies with substantially greater financial resources than we possess, which places us at a competitive disadvantage in obtaining such resources for our own use. Accordingly, such competition may make our exploration activities more difficult than for a larger, more substantial company.

Subsidiaries

Qwik Track, Inc.

On October 15, 2001, we organized Qwik Track, Inc. as our wholly-owned subsidiary to operate as a web-based service business providing the wagering enthusiast with thoroughbred handicapping, analytical data and statistical information for racetrack wagering over the Internet. As of November, 2003, we suspended business development of our Qwik Track subsidiary in order to focus our limited resources on exploring our mineral properties.

Pita King Bakeries International, Inc.

Effective October 1, 2002, we acquired Pita King Bakeries International, Inc. ("Pita King") and appointed Hassan Alaeddine to our Board of Directors. Up until we dissolved our business relationship with Pita King, this subsidiary company produced and marketed a variety of pita breads and chips. However, effective January 1, 2004, we and the principals of Pita King mutually agreed to dissolve our business relationship pursuant to a Mutual Agreement to Dissolve Business Relationship (the "Dissolution Agreement"). Pursuant to the terms of the Dissolution Agreement, we forgave a debt owing from Pita King to our Company in the aggregate amount of \$35,000, and in exchange, the principals and officers of Pita King agreed to return 4,000,000 shares of our common stock that was issued in connection with our acquisition of Pita King. We agreed that the remaining 139,500 shares of our common stock that was issued to the original shareholders of Pita King in connection with the acquisition would remain the property of such shareholders and would be unaffected by the Dissolution Agreement. As a result, effective January 1, 2004, Pita King no longer operates as our wholly-owned subsidiary and we have recognized a loss of \$99,472 on the divestiture of Pita King.

Star-Resolve Detrital Wash, LLC

As discussed elsewhere in this Annual Report, on January 10, 2006, we entered into a joint venture agreement with Resolve Capital Funding Corporation, Inc. ("Resolve") for the formation of Star-Resolve Detrital Wash, LLC to engage in the development and commercial exploitation of the Detrital Wash Property. Each of Resolve and our Company will have a 50% membership interest in Star-Resolve Detrital Wash, LLC. As our capital contribution to the joint venture, upon the formation of Star-Resolve Detrital Wash, LLC, we are required to contribute our mineral rights in the Detrital Wash Property under a mining property lease. As Resolve's capital contribution to Star-Resolve Detrital Wash, LLC, Resolve is required to contribute 600,000 Canadian Dollars, equivalent to approximately \$518,000 translated into U.S. Dollars using current exchange rate, within 60 to 90 days of the Joint Venture's formation. In addition, Resolve is required to use its best efforts to manage Star-Resolve Detrital Wash, LLC, including, without limitation, providing Star-Resolve Detrital Wash, LLC with access to its industry related contracts and its expertise in the commercial exploitation of mineral rights. Resolve will be the exclusive managing member of Star-Resolve Detrital Wash, LLC. Nonetheless, as of the date of filing of this report, Resolve has not made the required cash contribution and is in default under the joint venture agreement. Our management is currently engaged in discussions with Resolve regarding a resolution to Resolve's breach of the joint venture agreement. However, there can be no assurance that the parties will reach an amicable resolution.

ITEM 2. DESCRIPTION OF PROPERTY

We currently hold interests in two properties that we believe show potential for mineral development. Both properties are unpatented mining claims located on federal public land and managed by the United States Bureau of Land Management.

Unpatented claims are "located" or "staked" by individuals or companies on federal public land. Each placer claim covers 20 to 160 acres; each lode claim covers 20 acres. We are obligated to pay a maintenance fee of \$100 per claim per year to the BLM or file an Affidavit of Assessment Work with the BLM showing labor and improvements of at least \$100 for each claim yearly.

If the statutes and regulations for the location and maintenance of a mining claim are complied with, the locator obtains a valid possessory right to the contained minerals. Failure to pay such fees or make the required filings may render the mining claim void or voidable. We believe we have valid claims, but, because mining claims are self-initiated and self-maintained, it is impossible to ascertain their validity solely from public real estate records.

If the government challenges the validity of an unpatented mining claim, we would have the burden of proving the present economic feasibility of mining minerals located on the claims.

There are uncertainties as to title matters in the mining industry. We believe that we have good title to our properties; however, defects in such title could have a material adverse effect on us. We have investigated our rights to explore, exploit and develop our various properties in manners consistent with industry practice and, to the best of our knowledge, those rights are in good standing. However, we cannot assure that the title to our properties will not be challenged or impugned by third parties or governmental agencies. In addition, there can be no assurance that the properties in which we have an interest are not subject to prior unregistered agreements; transfers or claims and title may be affected by undetected defects. Any such defects could cause us to lose our rights to the property or to incur substantial expense in defending our rights.

Detrital Wash, Mohave County, Arizona Property

On March 3, 1998, we entered into a mineral lease with James R. Ardoin for the Detrital Wash mineral claims located one mile east of mile marker 22 on Highway 93, Mohave County, Arizona. The lease does not require any minimum payments, and charges a royalty of 2% of net smelter returns (NSR). The term of the lease is for 20 years with an option to renew for additional, successive 20-year terms.

The Detrital Wash Property originally consisted of 8 placer claims lying in Section 36, Township 28 North, Range 21 West and is easily accessed by partially paved entry off Highway 93 and has availability to electricity and water.

In July 2004, we reached an agreement in principle with the holders of 131 placer association claims covering approximately 20,000 acres adjacent to and surrounding our Detrital Wash Property. The agreement will grant us exclusive exploration rights on the claims, and first right of refusal for exclusive development rights in exchange for a 0.25% net smelter return payable to the claimholders. The agreement will require the company to expend a minimum of \$125,000 on exploration during a three-year period.

The majority of this 22,240-acre property is composed of "alluvial sand," that is to say, a dry riverbed lying 210 feet above the existing water table. Two historically documented sources found at the County seat archives in Kingman, Arizona provide possible explanation for the deposition of valuable minerals in the Detrital Valley:

1. A major flood in early 1900's washed away approximately 15 major gold and silver mines overlooking the Detrital on the West. These mining camps, among the most prolific and highest producing mines in the Western USA, were

known as Silverado, Excelsior, Prince Albert, Occidental, Etc. According to County records most of the mine stockpiles and tailing were washed into the Detrital Wash. The flood acted as a water cannon stripping the landscape and washing everything down into the valley below.

2. In 1982, County Historian, Roman Malach, in a book entitled " White Hills, Silverado in Mohave County" confirms the disaster in White Hills, the valuable gold camps, particularly Silverado that were lost to the flood and, the likely presence of an ancient river which flowed through the Detrital Valley. This river was likely the transporter of gold, silver, platinum and palladium to the Valley.

Although limited in number prior to 2005, all "spot/surface samples" taken by the Company on this property indicated the existence of "precious metals". Of major significance was a 2-ton "bulk sample" (at a depth of 4 to 12 feet) by AuRIC Metallurgical Laboratories, LLC, Salt Lake City, Utah, conducted in 1998 under a "chain of custody" (COC) that provided evidence of gold and silver with traces of palladium and platinum.

Two batch tests of 1,000 lbs. each were performed, each batch produced a "dore bar" (composite of all metalliferous minerals recovered from the sample). One of the dore bars was then refined and yielded metals equivalent to the following values per ton of original material:

G o l d	0.812
(Au)	oz.
S i l v e r	1.359
(Ag)	oz.
Platinum	0.440
(Pt)	oz.
Palladium	0.019
(Pd)	oz.

Our Management believed that the precious metals derived from the surface and bulk samples were of sufficient quantity and quality to warrant further exploration of the Detrital Wash Property. Accordingly, on January 9, 2004, we engaged Kokanee Placer, Inc. of White Rock, BC, a geological exploration company, to execute the initial phase of an exploration program on our original 1,280 acre Detrital Wash Property, the results of which would dictate subsequent exploration phases, if found to be practical. The initial effort by Kokanee Placer, Inc. called for surface sampling of the property in a grid pattern at intervals of every 500 feet (in excess of 200 samples). The results of the sampling program identified areas of elevated to anomalous values of placer gold and silver that required follow-up exploration and evaluation.

As result, on February 16, 2005, the Company finalized an agreement with Zereko Nevada, Inc. (Zereko), a Nevada based corporation engaged in mining engineering and related services, for various services in support of the ongoing exploration activities at our Detrital Wash Property. In May 2005, Zereko issued a final report (the "Zereko Report") on assay test results from the Detrital Wash Property. In order to prove the best process for extracting precious metals on the Detrital Wash Property, samples from drilling that took place in early April 2005 were sent to three different metallurgical laboratories as part of a blind test process: Mountain States R&D ("Mountain States"), AuRic Metallurgical Laboratories, LLC ("AuRic"), and Nevada Bureau of Geology and Mines ("NBGM").

In assessing the samples, Mountain States used a strictly “fire assay” analysis process and returned negative results from all samples tested, which was not a surprise since, the “alluvial sand” on the Detrital Wash Property rarely tests positive in fire assays and the purposes of testing at Mountain States was to help validate the blind test process. On the other hand, AuRic reported positive results for gold, silver, platinum and palladium for each sample presented to AuRic for analysis and was consistent with Auric’s 1998 conclusions with respect to the Detrital Wash Property. It should be noted that since AuRic had been used in the past for testing samples on the Detrital Wash Property, this was a completely blind test and AuRic was not aware of the origin of the samples. Nevertheless, these recent samples returned with comparable results from earlier tests performed by AuRic on the Detrital Wash Property. The third lab, NBGM, received the bulk of the samples and reported no detectable results for gold, palladium or platinum, but reported significantly for silver in a large number of the samples. The findings of NBGM were qualified by Zereko in that NBGM’s testing procedures do not allow NBGM to go to the lower levels of gold, platinum and palladium detection necessary to obtain ‘detectable amounts.’ Gold, platinum and palladium must be tested at a lower level than silver for an accurate reading. AuRic’s findings in particular, led Zereko to conclude that gold, silver, platinum and palladium do exist at lower levels of detection on the Detrital Wash Property and are considered to have some economic value.

Currently we are attempting to raise additional capital to continue a staged exploration program on this property. .

Wikieup, Arizona Property

In March 2001, we purchased from Gold Standard Mines Inc. 51 lode mining claims located in the Wikieup mining district, Mohave County, Arizona (the “Wikieup Property”). Consideration for the acquisition was 1,000,000 restricted common shares valued at \$400,000 as of the date of the agreement. In connection with the acquisition of the Wikieup Property and for no additional consideration, we were assigned all right, title and interest in certain proprietary gold, silver and/or platinum metal recovery formulae for the processing of ore in and about the Wikieup Property. As of the date of this filing, we have not had the formulae and processing techniques independently verified.

The Wikieup Property at present consists of approximately 840 acres (42 lode claims) of mountainous terrain and is accessible by paved and dirt roads west of Wikieup, Arizona off U.S. Highway 93. The property is located in Section 36, Township 16N, Range 14W in the Holapa Mountain Range. There is nearby access to electricity and water.

In the area of the claims where we have explored, is the Oakman mining district, which is located to the northwest and also the Bagdad open pit copper property located to the southeast of this area.

We processed a limited number of "spot samples" of stockpiled screened material from a claim immediately adjacent to our Wikieup Property and found precious metals to exist in the material, although our sampling did not permit a reliable quantitative evaluation as we could not be certain of the degree of pre-treatment and concentration the material had undergone. Nevertheless, the spot samples confirmed our belief, based on the available literature, that the property shows promise as an exploration target. However, the mountainous terrain and complex nature of the geological makeup of the Wikieup Property would likely make it much more costly to explore and develop than the Detrital Wash Property. As a result, we have focused our efforts and available resources on the continued exploration of the Detrital Wash Property.

We have not systematically drilled and sampled the Wikieup Property. The sampling of Detrital Wash Property is not sufficient to confirm the presence of any concentrations of precious metals in a mineable mass. We believe that the staged exploration program being conducted by Zereko Nevada will assist in making those determinations. There is substantial risk that such testing would show limited concentrations of precious metals, and such testing may show a lack of precious metals in a mineable mass. Test results so far have been positive and confirm the presence of precious metals in the samples. However, we cannot safely assume that precious metals-bearing materials exist in quality and quantity to make a mining operation economically feasible.

Wikieup testing to date has focused principally on assaying materials for precious metals content, with very limited testing of how to process materials for production. The various procedures we have used to assay the samples have not addressed what metallurgical procedures would be best suited to process precious metals out of the materials on an economic scale. Even if independent reserve reports indicate the presence of precious metals, further extensive work will be needed in the form of a feasibility study to determine if the precious metals (if any are shown likely to be present in the property) in fact can be processed out of the material at a profit. Some companies decide that even though one of their properties contains valuable minerals, it is impossible to remove them profitably in commercial production.

ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in legal proceedings relating to claims arising out of operations in the normal course of business, as well as claims arising from our status as an issuer of securities and/or a publicly reporting company. At December 31, 2006, we know of no current or threatened legal proceedings involving us or our properties reportable under this Item 3.

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

We held our annual shareholders meeting on December 1, 2006, in Shreveport, Louisiana. At the annual meeting, our shareholders elected as directors the following individuals: Denver Cashatt (7,378,499 shares for; 58,986,349 shares withheld), Joseph Therrell, Jr. (62,589,848 shares for; 3,775,000 shares withheld), Virginia Shehee (62,592,848 shares for; 3,772,000 shares withheld), Robert M. Glover (62,361,848 shares for; 3,775,000 shares withheld) and John Tuma (66,361,848 shares for; 3,000 shares withheld). The shareholders also approved our 2006 Stock Option Plan (58,059,848 shares for; 8,275,000 shares against; and 30,000 shares abstained) and ratified our appointment of Madsen & Associates CPA's, Inc. as our independent registered public accountant for the year ended December 31, 2006 (58,089,848 shares for; 4,500,000 shares against; and 3,775,000 shares abstained).

PART II**ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND SMALL ISSUER PURCHASES OF EQUITY SECURITIES**

Up until May 23 2003, our common stock was traded on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. ("NASD") under the symbol ISRI. Since May 23, 2003, our common stock has been traded on the Pink Sheets under the Symbol ISRI.PK. On February 22, 2005, the NASDAQ assigned our Company a new trading symbol and our common stock began trading on the Pink Sheets under the symbol ILST.PK. On June 20, 2005, our common stock was approved by the NASD for listing on the OTC Bulletin Board, and since such date, our common stock has been trading under the symbol ILST.OB. The following table indicates quarterly high and low price per share for our common stock during the fiscal years ended December 31, 2006 and 2005. These prices represent quotations among dealers without adjustments for retail mark-ups, markdowns or commissions, and may not represent actual transactions. The market for our shares has been sporadic and at times very limited.

Fiscal Year Ended December 31, 2006

	HIGH		LOW	
4th Quarter ended December 31, 2006	\$	0.018	\$	0.010
3rd Quarter ended September 30, 2006	\$	0.045	\$	0.016
2nd Quarter ended June 30, 2006	\$	0.068	\$	0.025
1st Quarter ended March 31, 2006				