

INTERNATIONAL STAR INC
Form 10-Q
May 15, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2009

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: 000-28861

INTERNATIONAL STAR, INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

86-0876846
(I.R.S. Employer
Identification No.)

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

71101
(Zip Code)

(318) 464-8687

(Registrant's telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant (1) has 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. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
x
(Do not check if smaller reporting company)

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

As of April 30, 2009, there were 281,512,274 shares of the registrant’s Common Stock issued and outstanding.

INTERNATIONAL STAR, INC.

Form 10-Q

For the Quarterly Period Ended March 31, 2009

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PART I

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-Q. 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, 2008. 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, 2009, and its results of operations and its cash flows for the three-month period ended March 31, 2009.

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

ASSETS	(Unaudited) March 31, 2009	(Audited) December 31, 2008
Current Assets:		
Cash	\$ 57,404	\$ 8,889
Prepaid expenses	6,507	11,388
Total Current Assets	13,467	20,277
Property and Equipment (Net of accumulated depreciation)		
	663	9,136
Total Assets	\$ 64,574	\$ 29,413
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities:		
Accounts payable	\$ 339,818	\$ 366,847
Accrued expenses	29,389	22,590
Note payable – Related party	200,000	30,000
Shareholder deposits	750	7,500
Total Current Liabilities	569,957	426,937
Long Term Note Payable – Related Party	500,000	500,000
Total Liabilities	1,069,957	926,937
Stockholders' Deficiency:		
Preferred Stock 20,000,000 shares authorized, Undesignated par value – none issued	--	--
Common Stock 780,000,000 shares authorized, at \$.001 par value; 281,512,274 and 279,262,274 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively	281,512	279,262
Capital in excess of par value	4,430,884	4,429,759
Deficit accumulated during the exploration stage	(5,717,779)	(5,606,546)
Total Stockholders' Deficiency	(1,005,383)	(897,525)
Total Liabilities and Stockholders' Deficiency	\$ 64,574	\$ 29,413

See accompanying notes to the financial statements.

INTERNATIONAL STAR, INC.

AND SUBSIDIARIES
(An Exploration Stage Company)
STATEMENT OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,		January 1, 2004 (date of inception of exploration stage) to March 31, 2009
	2009	2008	
Revenue:			
Total Revenue	\$ --	\$ --	\$ --
Expenses:			
Mineral exploration costs	39,929	104,825	878,567
Professional fees	19,604	60,722	659,812
Compensation & management fees	19,817	9,697	1,431,552
Depreciation & amortization	71	849	14,744
General & administrative	15,773	21,560	474,620
Total Operating Expenses	95,193	197,653	3,459,295
Net (Loss) from Operations	\$ (95,193)	\$ (197,653)	\$ (3,459,295)
Other Income and Expenses			
Interest income	--	327	2,939
Interest expense	(8,088)	(4,203)	(87,490)
Other expense	(50)	--	(50)
Loss on disposal of assets	(7,902)	--	(20,531)
Loss on divestiture of subsidiary	--	--	(99,472)
Total Other Expenses	(16,040)	(3,876)	(204,604)
Net (Loss)	\$ (111,233)	\$ (201,530)	\$ (3,663,899)
Weighted Average Shares			
Common Stock Outstanding	280,762,274	273,362,274	
Net Loss Per Common Share			
(Basic and dilutive)	\$ (0.00)	\$ (0.00)	

See the accompanying notes to the financial statements.

INTERNATIONAL STAR, INC.

AND SUBSIDIARIES
(An Exploration Stage Company)
STATEMENT OF CASH FLOWS
(Unaudited)

March 31, 2009

	Three Months Ended March 31,		January 1, 2004 (date of inception of exploration stage) to March 31, 2009
	2009	2008	
Cash flows from operating activities:			
Net (loss)	\$ (111,233)	\$ (201,530)	\$ (3,663,899)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation & amortization	71	849	14,744
Loss on disposal of assets	8,402	--	21,031
Loss on divestiture of subsidiary	--	--	99,472
Common stock issued for services	--	--	211,500
Changes in operating assets and liabilities:			
Accounts receivable and prepaids	4,881	--	73,288
Inventories	--	--	63,812
Other assets	--	--	95,474
Accounts payables and accrued interest	(20,230)	30,565	320,640
Shareholder deposits	(6,750)	--	750
Net cash used in operating activities	(124,859)	(170,116)	(2,763,188)
Cash flows from investing activities:			
Purchase of fixed assets	--	--	(29,355)
Net cash provided by investing activities	--	--	(29,355)
Cash flows from financing activities:			
Proceeds from deposit	--	--	--
Repayments of long term borrowings	--	--	(25,000)
Proceeds from long term borrowings	170,000	125,000	725,000
Proceeds from sale of common stock	3,375	--	1,785,801
Net cash provided by financing activities	173,375	125,000	2,485,801
Net increase (decrease) in cash and cash equivalents			
	48,516	(45,116)	(306,742)
Cash and cash equivalents, beginning of period	8,889	96,141	364,146
Cash and cash equivalents, end of period	\$ 57,404	\$ 51,025	\$ 57,404

See the accompanying notes to the financial statements.

INTERNATIONAL STAR, INC.
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

March 31, 2009

A. BASIS OF PRESENTATION

The interim financial statements of International Star, Inc. and subsidiaries (the "Company") for the three months ended March 31, 2009 and 2008, are not audited. The financial statements are prepared in accordance with the 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, 2009, and the results of its operations and cash flows for the three months ended March 31, 2009.

The results of operations for the three months ended March 31, 2009, 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 fiscal year ended December 31, 2008. Qwik Track, Inc. has no assets and has not had any operations during the previous three years.

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 did not declare or pay any dividends during the quarters ended March 31, 2009 and 2008. There are no legal, contractual or other restrictions, which limit the Company's ability to pay dividends. Payment of future dividends, if any, on the Company's common stock, will be dependent upon the amounts of its future after-tax earnings, if any, and will be subject to the discretion of its Board of Directors. The Company's Board of Directors is not legally obligated to declare dividends, even if the Company is profitable. The Company has never paid any dividends on its common stock and has no plans to do so in the near future. Instead, the Company plans to retain any earnings to finance the development of its business and for general corporate purposes.

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 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.

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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 anti-dilutive and then only the basic per share amounts are shown in the report. At March 31, 2009, the Company had no common equivalent shares of stock outstanding.

6. Comprehensive Income

The Company adopted SFAS No. 130, "Reporting Comprehensive Income", which requires inclusion of foreign currency translation adjustments, reported 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 the provisions of Statement of Financial Accounting Standards No. 123(R) – fair value reporting and related interpretations in accounting for its stock based compensation and stock option plans. Under this accounting standard, share-based awards are fair valued and the related stock compensation expense, when applicable, is reported in the current financial statements.

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 net operating losses have been fully offset by a valuation allowance.

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, prepaid expenses, accounts payable and accrued liabilities, shareholder deposits and notes payable.

10. Recent Accounting Pronouncements

The Company does not expect that the adoption of other recent accounting 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.

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13. Financial and Concentration Risk

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

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 shares 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

During the three months ended March 31, 2009, the Company issued 2,250,000 shares of common stock upon the exercise of common stock warrants for \$3,375. The proceeds from these sales, which were received by the Company during the fourth quarter of 2008, were previously classified as shareholder deposits. The Company refunded to shareholders an additional \$3,375 in overpayments by the shareholders in connection with the exercise of the warrants. There were 500,000 outstanding stock warrants and no outstanding stock options at March 31, 2009.

E. LONG TERM NOTE PAYABLE – RELATED PARTY

The Company entered into a loan agreement with Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. on December 3, 2007. This company is controlled through ownership by a shareholder/director of International Star, Inc. Under terms of the agreement, the Company has an available credit line balance of \$500,000 with interest accruing at 6% per annum. The interest is due and payable on a quarterly basis (every three months). The loan is collateralized by a security interest to the above mentioned lender in the amount of 51% interest in the mineral rights of all mining claims owned by or having an interest in now or in the future in the Detrital Wash and Wikieup properties located in Mohave County, Arizona, along with any future claims acquired by the Company. At March 31, 2009, the Company had borrowed \$500,000 under the terms of this loan agreement. The principal amount borrowed, together with accrued interest, is due and payable on December 3, 2010.

The Company entered into another loan agreement with Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. on December 1, 2008. Under terms of the agreement, the Company has an available credit line balance of \$200,000 with interest accruing at 10% per annum. At March 31, 2009, the Company had borrowed \$200,000 under the terms of this loan agreement.

F. GOING CONCERN

The Company will need additional working capital for its future planned activity and to service its debt, which raises substantial doubt about its ability to continue as a going concern. Continuation of the Company as a going concern is dependent upon obtaining sufficient working capital to be successful in that effort. The management of the Company has developed a strategy, which it believes will accomplish this objective, through additional loans, and equity funding, which will enable the Company to operate for the coming year.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Cautionary Note Regarding Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes a number of forward-looking statements that reflect our management's current views with respect to future events and financial performance. Those statements include statements regarding our intent, belief or current expectations, and those of members of our management team, as well as the assumptions on which such statements are based. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risk and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made by us throughout this Quarterly Report, as well as in our other reports filed by us with the Securities and Exchange Commission ("SEC"). Important factors currently known to management could cause actual results to differ materially from those in forward-looking statements. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results over time. We believe that our assumptions are based upon reasonable data derived from and known about our business and operations. No assurances are made that actual results of operations or the results of any future activities will not differ materially from our assumptions.

Since our trading shares are classified as "penny stocks", we are not entitled to rely upon the "safe harbor" provisions adopted by the SEC under the Securities Exchange Act of 1934 (the "Exchange Act") with respect to forward-looking statements. Nevertheless, investors are urged to give serious consideration to those factors which we have identified as outside of our control, and the consequences to us and our investors if our anticipated results do not come to pass as expected as a result of material deviations which may occur from the assumptions we have relied upon in making forward-looking statements.

Our Business

We were 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 and base metals mineral properties.

Since 1998, we have examined various mineral properties prospective for precious and base metals and minerals and have acquired interests in those we believe may contain precious and base metals and minerals. Our properties are located in Arizona. Although we have confirmed the existence of mineralization in some of our properties, 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 mineral extraction on our property is economically and legally feasible. Therefore, at present we have no reserves and no income from mineral production.

Our determination 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 availability of financing, the results of our exploration program and independent feasibility analysis and the

recommendation of engineers and geologists. 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.

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Going Concern

We have incurred substantial operating and net losses, as well as negative operating cash flow, since our inception. Accordingly, we continued to have significant stockholder deficits and working capital deficits during the year ended December 31, 2008, as further explained in our Annual Report on Form 10-K for the year ended December 31, 2008. In recognition of these trends, our independent registered accountants included cautionary statements in their report on our financial statements for the year ended December 31, 2008, that expressed “substantial doubt” regarding our ability to continue as a going concern. Specifically, our independent accountants have opined that the continuation of our Company as a going concern is dependent upon obtaining sufficient working capital to be successful in that effort.

Our ability to continue as a going concern is dependent on obtaining additional working capital. Our management has developed a long-term strategy for generating revenues from our mineral properties, with a short-term focus on obtaining additional equity or debt funding until such operating revenues can be generated. We continue to consider and pursue available and feasible options to raise additional capital to fund our operating costs and to continue work on establishing the existence of mineral reserves within our properties to enable us to seek feasible revenue generating opportunities.

During the fourth quarter of 2008, we obtained funding from a related party to satisfy our current obligations and to continue exploration work on our Detrital Wash Property through the first quarter of 2009. See “– GENERAL – Financing.” We will need to raise additional equity or debt financing to fund our operating costs and our planned mineral exploration work and to service our current debt obligations for the remainder of 2009, unless and until we are able to generate substantial revenues from our mineral properties. We do not anticipate generating any revenue from our mineral properties during the second quarter of 2009. Therefore, if we do not obtain substantial additional financing, we may not have sufficient capital to continue operating as a public company or at all beyond the second quarter of 2009. We cannot assure that we will be able to obtain the necessary funding or, even if such financing is obtained, that we will be able to establish the existence of mineral reserves or generate revenues from our properties sufficient to sustain our continued operations or at all.

Our Properties

We currently hold interests in two properties that we believe show potential for mineral development. Both properties consist of unpatented mining claims located on federal public land managed by the United States Department of Interior, Bureau of Land Management (“BLM”). We are obligated to pay a maintenance fee to the BLM of \$170 per claim plus a \$14 local filing fee for each newly filed claim and \$125 per claim per year for each existing claim.

Unpatented mining claims are “located” or “staked” by individuals or companies on particular parcels of federal public land upon which the individual or company asserts the right to extract and develop a mineral deposit. Mining claims may be one of two types: lode and placer. Lode claims are claims on land where mineral deposits have been discovered encased in or surrounded by hard rock, such as veins, fissures, lodes and disseminated ore bodies. Placer claims are claims upon land containing deposits of loose, unconsolidated material, such as gravel beds, or containing certain consolidated sedimentary deposits lying at the surface. Federal law limits each lode claim to no more than 1,500 feet along the length of the deposit and no more than 300 feet to either side of the center line of the deposit. A placer claim may be up to 20 acres for a single individual or corporation, and up to as many as 160 acres for an association of at least eight owners.

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 maintenance fees 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.

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Property title uncertainties exist 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 or that third parties have not staked claims, or will not in the future stake claims, on lands for which we believe we have good title to existing claims. In addition, we cannot assure that the properties in which we have an interest are not subject to prior unregistered agreements. Any such undetected defects could cause us to lose our rights to the property or to incur substantial expense in defending our rights.

As of this Report, we have learned that a third party has staked new placer and lode claims over a portion of our existing lode claims in our Detrital Wash property (described below). We are presently investigating the matter and considering potentially available options to assert our rights with respect to these properties. We believe our lode claims are properly filed and recorded and that we have valid legal title to these claims over any subsequent claim holders.

Detrital Wash, Mohave County, Arizona Property

Property and Location

Our Detrital Wash property (the “Detrital Wash Property”) consists of approximately 24 square miles of land located approximately 56 miles from Las Vegas, Nevada, and 22 miles south of the Hoover Dam on U.S. Highway 93, Mohave County, Arizona. The property is easily accessed by partially paved entry off Highway 93 and has availability to electricity and water.

As of September 1, 2008, the Detrital Wash Property is comprised solely of lode mining claims. Prior to September 1, 2008, our Detrital Wash Property consisted of approximately 21,000 acres of land consisting primarily of placer mining claims we had obtained in part through a mineral lease with James R. Ardoin in 1998 and in part through a 2004 exploration rights agreement with a group of individuals including several former directors and officers of the Company. Based on assessments by our current geologist and mining engineer consultants that these claims do not contain placer mineral deposits, we determined that the value of these placer claims was not sufficient to justify the costs to continue maintaining these claims. Therefore, we terminated our lease agreement with Mr. Ardoin on August 29, 2008, pursuant to the terms of the agreement. Additionally, following the termination of the lease agreement and because our obligations under the 2004 exploration rights agreement had been fully performed, we allowed all of our placer claims in the Detrital Wash Property to expire as of August 31, 2008.

Our Detrital Wash Property presently consists of 434 lode claims located in the Black Mountains and along the western front of the White Hills in the Detrital Wash area in northwestern Arizona. As of this Report, we have obtained legal title to 75 of these claims. Based on the presence of gold and silver producing mines in the Black Mountains and the White Hills, we believe deposits of precious metals may exist within the Detrital Wash Property. We cannot assure that we will discover such deposits or that, if such deposits are discovered, we will be able to commercially produce such mineral deposits.

These lode claims cover areas of bedrock mineralization indicated by historical data obtained by the Company and confirmed by geochemical assays of mineral samples performed for the Company in 2008 by a licensed independent lab and evaluated according to National Instrument (NI) 43-101 standards, as well as other areas where we have obtained evidence of mineralization occurring in the bedrock. These areas include portions of the Black Mountains as well as known and anticipated northerly extensions of veins found in the White Hills and mineralized structures to the south.

We did not pay any maintenance fees to the BLM for our lode claims in the Detrital Wash Property in 2008. During the first quarter of 2009, we paid \$13,950 in filing fees for 75 of our current lode claims in the Detrital Wash Property.

Operations

During 2008, we increased our lode claim holdings in the Detrital Wash area by adding new lode claims and converting placer claims to lode claims where mineralization occurs in the bedrock. Based on our conclusion that our placer claims in the area did not contain placer deposits, we released all of our placer claim holdings in the Detrital Wash area upon their expiration as of August 31, 2008. We did not add any new lode claims during the first quarter of 2009.

Our current geology and mining engineer consultants developed a program during 2008 of testing geological samples from our Detrital Wash Property for mineralization and mapping the existing geology. Assay results from the initial phase of this program support historical records obtained by the Company in 2008 of significant copper and molybdenum mineralization in both the Black Mountains and Northern White Hills areas of the Detrital region. Based on these results, our consultants developed a plan for additional phases of our exploration program to further assess under industry standards the mineral potential of our properties. In March 2009, we submitted over 200 additional mineral samples for assays of copper, molybdenum, silver and gold. As of this Report, we are presently evaluating the results of these assays. Further implementation of this phase is dependent on our obtaining additional funding. Pending favorable results from these most recent assays, we intend to pursue additional funding through joint venture opportunities or from other equity investors. See “– GENERAL – Plan of Operation.” We cannot guarantee that the results of these assays will be favorable or that we will be able to obtain the necessary funds to conduct our planned exploration activities. See “– GENERAL – Going Concern.”

Wikieup, Arizona Property

Property and Location

Our Wikieup property (the “Wikieup Property”) consists of 42 lode claims located approximately three miles west of U.S. Highway 93 in Section 36, Township 16N, Range 14W in the Hualapai Mountain Range at Wikieup, Arizona. These claims comprise approximately 840 acres of mountainous terrain. The property is easily accessible by paved and dirt roads west of Wikieup, Arizona, from U.S. Highway 93 and has nearby access to electricity and water.

The Hualapai Mountain Range consists of pre-cambrian gneiss and schist that has locally been intruded by quartz monzonite and granitic rocks of probable Laramide age. Laramide age intrusives are traditionally one of the primary host rocks for Arizona porphyry copper deposits. Notable ore deposits and mines nearby are the Oatman Mining District to the northwest and the Bagdad open pit copper mine to the southeast of this area.

We purchased the Wikieup claims from Gold Standard Mines, Inc. in March 2001 in exchange for which we issued 1,000,000 shares of our restricted common stock having an aggregate value of \$400,000 as of the date of the acquisition. We received from Gold Standard Mines a notarized quitclaim deed granting us all rights, interest and title to 51 lode mining claims. The deed was subsequently recorded at the United States Bureau of Land Management office in Phoenix, Arizona, and at Mohave County in Kingman, Arizona.

In 2008, we paid an aggregate of \$5,250 in annual maintenance fees to the BLM for the Wikieup Property.

Operations

Due to our limited financial resources, we do not currently have plans to engage in development activities on the Wikieup Property during 2009. However, should adequate financing become available, management may implement an aggressive campaign to identify through accepted geological processes any mineralization occurring on our Wikieup claims.

Financial Condition and Results of Operations

We have incurred substantial net losses since our inception as an exploration stage company. Our ability to generate revenue is dependent on our ability to establish the existence of mineral reserves on our properties. We have not generated any revenue during any period since the date of our inception, and unless and until we establish that such reserves exist, we will not have any revenue from our mineral operations.

Our current management has engaged consultants who have developed an exploration plan involving various methods of geochemical and geophysical testing, in compliance with industry standards, to determine whether mineral reserves exist on our properties. We have conducted mapping and sampling activities as part of this plan, including two phases of assaying collected geological samples. We are presently evaluating the results of the second phase of assays performed during the first quarter of 2009. We believe the assay results obtained thus far justify implementation of further phases of this exploration plan. See “– GENERAL – Plan of Operation.” However, further implementation of this plan is dependent on our obtaining additional debt or equity financing.

We are currently considering potential options to obtain funding to continue exploration work on our properties and to fund our future operating and compliance costs. As of this Report, we have not yet obtained the necessary level of funds to further implement our exploration program on our Detrital Wash Property or to fund our operating and compliance costs beyond the second quarter of 2009. We cannot guarantee that we will obtain such financing on terms that will be favorable to us or at all, or, even if such financing is obtained, that we will determine that mineral reserves exist or that we will be able to commercially exploit any reserves found on our properties. See “– GENERAL – Going Concern.”

As of March 31, 2009, our total assets are \$64,574, consisting of \$57,404 in cash, \$6,507 in prepaid expenses and \$663 in property and equipment, net of depreciation. Our total assets at December 31, 2008, were \$29,413, consisting of \$8,889 in cash, \$11,388 in prepaid expenses and \$9,136 in property and equipment, net of depreciation. The \$36,161 increase in our total assets during the three months ended March 31, 2009, is primarily due to an increase in our cash resulting from proceeds borrowed during the interim period from a line of credit obtained by the Company in December 2008. The increase in cash was offset partially by a decrease in prepaid expenses related to assays performed on mineral samples from our properties and a reduction in our property and equipment after we sold and disposed of a trailer and all-terrain vehicles no longer in use by the Company.

Our total liabilities as of March 31, 2009, are \$1,069,957, an increase of \$143,020 over total liabilities at December 31, 2008, of \$926,937. This increase is attributable largely to our borrowing an additional \$170,000 under a line of credit to fund our exploration activities and general operating and compliance costs during the period, offset in part by a \$27,029 decrease in our accounts payable resulting from our use of the funds obtained to pay outstanding consultant and legal fees and other operating expenses. See “– GENERAL – Financing” for a discussion of our line of credit.

Three Months Ended March 31, 2009, Compared to Three Months Ended March 31, 2008

Net Loss. Our net loss for the quarter ended March 31, 2009, was \$111,233, compared to a net loss of \$201,530 during the quarter ended March 31, 2008, a decrease of 44.81%. The significant decrease in our net loss for the first quarter of 2009 over the first quarter of 2008 was due primarily to substantially lower mineral exploration costs and professional fees during the first three months of 2009 as compared to the same period in 2008, along with reductions in our depreciation and amortization expense and general and administrative expenses. These decreases were partially offset by a significant increase in our compensation and management fees during the first quarter of 2009 over the first quarter of 2008.

Mineral Exploration Costs Expense. Mineral exploration costs expense for the three-month period ended March 31, 2009, was \$39,929, compared to \$104,825 for the three-month period ended March 31, 2008, a decrease of \$64,896,

or 61.91%. This significant decrease resulted from the costs associated with the development and implementation of our current exploration program for our Detrital Wash mining claims during the first quarter of 2008 and the comparative reduction in exploration activity during the first quarter of 2009, which was mostly limited to assaying of previously collected mineral samples from our Detrital Wash Property, paying filing fees for a portion of our mining claims, and general maintenance of our existing claims.

Professional Fees Expense. Professional fees expense for the first quarter of 2009 decreased significantly over the same period in 2008 by \$41,118, or 67.72%, to \$19,604, compared to \$60,722 during the first quarter of 2008. The two-thirds decrease resulted from reduced consultant fees related to the decrease in our exploration activity, the mutual termination of our consulting agreement with our financial consultant during the summer of 2008 due to his acceptance of employment with one of our major shareholders, and smaller legal expenses during the first quarter of 2009 as compared to the first quarter of 2008.

Compensation and Management Fees Expense. Our compensation and management fees expense during the first quarter of 2009 increased by \$10,120, or 104.36%, from \$9,697 during the first quarter of 2008 to \$19,817 during the first quarter of 2009. This two-fold increase was due primarily to our payment in January 2009 of accrued compensation to our president from the fourth quarter of 2008, and in part to the renegotiation of our employment agreement with our president on April 1, 2008. Under the April 1, 2008 agreement, our president receives a salary of \$3,500 per month. Prior to April 1, 2008, our president received a salary of \$2,700 per month along with 100,000 shares of common stock per month.

Depreciation and Amortization Expense. Depreciation and amortization expense decreased over 90% from \$849 during the first quarter of 2008 to \$71 during the first quarter of 2009. This decrease resulted from our sale and disposal of a trailer and all-terrain vehicles no longer in use by the Company.

General and Administrative Costs Expense. Our general and administrative costs decreased by \$5,787, or 26.84%, to \$15,773 during the quarter ended March 31, 2009, compared to \$21,560 during the quarter ended March 31, 2008. The decrease in general and administrative expense is attributable primarily to the reduction in exploration activity on our Detrital Wash Property during the first quarter of 2009 as compared the same period in 2008, when we were developing and implementing the initial stages of our current exploration program.

Interest Income. We did not have any interest income during the three-month period ended March 31, 2009, compared to \$327 during the same period in 2008.

Interest Expense. During the first quarter of 2009, we incurred interest expense of \$8,088 as a result of interest accruing on our two lines of credit obtained from Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. in December 2007 and December 2008, respectively. See "- GENERAL - Financing" and Footnote E in the Notes to the Financial Statements. Our interest expense for the first quarter of 2008, which was attributable to the December 2007 line of credit, was \$4,203.

Plan of Operation

During the second quarter of 2009, we intend to seek and pursue available capital raising opportunities, through joint venture or additional equity investment, to fund further exploration work in the Detrital Wash Property toward the establishment of precious and base metal reserves and assessment of the commercial viability of mineral extraction from potential deposits on these properties. Our future planned exploration activity and any potential mineral extraction is dependent on our obtaining sufficient capital resources to continue such work. We believe the results we have obtained thus far from our exploration program indicating mineralization in our Detrital Wash Property may enable us to seek potential joint venture opportunities or investment by a larger resource mining company or investor to provide such additional capital and to assist us in further exploration work and any potential mineral extraction. If we are unsuccessful in our efforts to attract and consummate a joint venture, we intend to pursue funding from other equity investors. However, we will continue to consider all available financing options, including debt financing as well as any opportunities that may arise to sell or lease our interest in our properties that we believe would be favorable to our shareholders.

We do not presently have plans to conduct significant further exploration work or to stake additional claims on our Detrital Wash Property during the second quarter of 2009, unless and until sufficient funding is available. However, subject to available funding, we may move forward with further phases of our exploration program, as described below, or add additional lode claims to our Detrital Wash Property for further exploration where we believe the land may hold commercial mining value. See “PROPERTIES – Detrital Wash, Mohave County, Arizona Property.”

We do not presently plan to conduct development activities on the Wikieup Property during 2009. However, should adequate financial resources become available, we may aggressively pursue a program to identify any mineralization occurring on the Wikieup Property. See “PROPERTIES – Wikieup, Arizona Property.”

In 2008, we engaged as consultants an additional geologist and a registered professional mining engineer, both of whom are “qualified persons” under NI 43-101, along with our existing consultant geologist, to develop and conduct a program for our Detrital Wash Property of testing geological samples for the existence of minerals and mapping the existing geology. Our consultants have utilized initial results of this program obtained in 2008, which indicated the presence of copper, molybdenum and silver mineralization, to further design the exploration program to evaluate the mineral potential of our Detrital Wash Property and the viability of extracting any mineral reserves discovered.

During the first quarter of 2009, as described below, we implemented a second phase of testing of geological samples collected during 2008. Our geologist is presently evaluating the results of these recent assays in accordance with NI 43-101 standards. Based on this evaluation, we will determine the best course to obtain funding and to further implement our exploration program. We do not presently intend to conduct any significant additional sampling and mapping in the Detrital Wash Property; however, should any new claims be added to our inventory based on anticipated mineralization and available funding, we may extend this sampling and mapping program to any such new areas of interest.

Due to our limited financial resources, we do not anticipate any purchase or sale of property, plant, or other significant equipment, and we do not expect any significant changes in the number of our employees. However, employees, consultants and expertise will be added to the Company as management deems necessary and when financing permits.

During the second quarter of 2008, we obtained historical records created by various mining companies from the 1960’s through the 1980’s in connection with substantial exploration conducted in the Northern Black Mountains, where a portion of our Detrital mining claims are located. Work completed by these companies included soil sampling, stream sampling, rock sampling and drilling, bouguer gravity surveys, and resistivity and IP (induced polarization) surveys. The historical soil, sediment and rock sampling data obtained by the Company indicated copper and molybdenum mineralization on the property in the form of projected and drilled areas of chalcocite mineralization. As part of our current exploration program, our geologist and engineering consultants have reproduced and verified under NI 43-101 industry standards the accuracy of much this historical data.

In the initial phase of this exploration program conducted in 2008, 252 assays were performed by Mountain States R&D International, Inc., an Arizona registered and licensed lab (“Mountain States”), on samples taken from our Detrital Wash claims. Results of these assays support the historical data indicating significant copper (Cu) and molybdenum (Mo) mineralization in both the Black Mountains and Northern White Hills areas of the Detrital region.

The assays report that copper values of the rock samples collected range from 25 parts per million (ppm) to 6.10% Cu (10,000 ppm equals one percent). A value of 20 ppm (or 0.002%) or higher is generally considered to be of potential value for exploration purposes. There were thirteen samples above 1.0% Cu, seventeen samples with values between 0.10% Cu and 0.99% Cu, and one soil sample at 0.081% Cu. The remainder of the rock and soil samples ranged from 25 ppm Cu to 599 ppm Cu. The molybdenum values from rock and soil samples range from nine samples below detection limit of 1 ppm Mo to 906 ppm Mo. Anomalous silver, lead and arsenic are also present in these samples.

Due to budget constraints, the assays performed in 2008 did not test for gold mineralization. However, our existing claim block consists of several former gold mines, and the historical data we have obtained indicates mineralization of gold in the area. In March 2009, we submitted over 200 additional samples collected during our initial sampling phase and several new samples to Skyline Assayers & Laboratories in Tucson, Arizona, an Arizona registered and licensed lab (“Skyline”), to be assayed for copper, molybdenum, and silver as well as gold mineralization. Along with these 200 new samples, we also submitted the original 252 samples to Skyline to be assayed for gold.

As of the date of this filing, we are waiting to receive our geologist's evaluation under NI 43-101 standards of the results from these assays. We cannot provide assurance that mineralization of gold will be confirmed or that any mineralization determined by these or future assays will be sufficient to establish the existence of precious or base mineral reserves on our properties.

Subject to available funding, further phases of our exploration program will involve conducting geophysical probing and scanning of areas where mineralization is shown to exist by our geochemical assay results. The geophysical exploration methods may include core drilling and IP and resistivity surveys as well as a VTEM (versatile time-domain electromagnetic) airborne survey. If we are able to obtain the necessary financing to substantially begin our geophysical exploration work, we anticipate such activities could commence as early as mid-to-late 2009. If these activities further indicate the potential existence of significant mineralization on our properties, we intend to conduct subsequent testing, as necessary, to determine whether such mineralization is of sufficient quantity to establish mineral reserves.

If we are able to establish the existence of mineral reserves on our properties, management intends to pursue a means to exploit those reserves. Depending on the Company's then available capital resources, management may consider commencing mining operations, selling or leasing our interest in the property, or pursuing a joint venture with a larger resource company to develop the property to the production stage.

We cannot guarantee that the results of the assays submitted to Skyline will be sufficiently favorable to support our efforts to raise additional capital or that we will obtain such capital on terms that will be favorable to us or at all to allow us to continue our exploration program. We also cannot assure, even if such financing is obtained, that we will determine that mineral reserves exist on our properties or that we will be able to commercially exploit any such reserves. Our ability to establish and exploit any reserves of precious or base minerals found on our properties will depend, in part, on factors beyond our control, including technological capabilities in the mining industry, current economic conditions and the current market price of any minerals discovered. Until such funding is obtained, we are unable to continue our exploration program. See “– GENERAL – Going Concern.”

Financing

We do not have any revenues and continue to be dependent on debt and equity financing to meet our immediate cash needs. We continue to pursue means to fund our current and future operations and to both continue and expand our exploration activities, either by seeking additional capital through loans or private placements of our securities, or by entering into joint venture or similar arrangements with one or more other, more substantial companies.

On December 1, 2008, we obtained a short-term line of credit of up to \$200,000 from Kilpatrick's Rose-Neath Funeral Homes, Crematorium and Cemeteries, Inc. (“KRFH”). Funds advanced to us under the line of credit carry simple interest at the rate of 10% per annum beginning on the date of each advance. All unpaid principal and accrued interest on funds advanced under the line of credit is due on March 31, 2009 (the “Maturity Date”). No payments on this line of credit are required until the Maturity Date. However, for any principal amounts due from us that are not paid within five days after the Maturity Date, the simple interest rate will increase to 18% per annum effective as of the Maturity Date. We have the right to prepay any amounts owing under the line of credit at any time without penalty. We also have the right to pay the amounts due, at our election, in the form of cash payment, issuance of shares of our common stock, or any combination thereof. In the event we default, KRFH may institute legal action against us. In such event, KRFH would be entitled to its collection costs, including attorney fees and courts costs. The line of credit is unsecured.

As of March 31, 2009, we have borrowed the full \$200,000 available under this line of credit. We have not made any payments of principal or interest toward this line of credit as of March 31, 2009.

Our Chairman of the Board, Ms. Virginia Shehee, may be deemed the beneficial owner of over 50% of the outstanding shares of KRFH due to the voting power she has obtained pursuant to a voting agreement. Due to the voting power she has obtained pursuant to a similar voting agreement, Ms. Shehee may also be deemed the beneficial owner of over 50% of the outstanding shares of Kilpatrick Life Insurance Company (“KLIC”), one of our major shareholders. Ms. Shehee serves as Chairman of the Board of KLIC and until July 1, 2008, served as its President and Chief Executive Officer. KLIC also employs as its Corporate Secretary Ms. Jacquelyn Wine. Ms. Wine is our Secretary, Treasurer/Chief Financial Officer and one of our directors.

During first quarter of 2009, we recognized \$3,375 in capital from the sale of shares of our restricted common stock upon exercise of stock warrants issued during 2008. These funds were received by the Company in October 2008, but the funds were classified for accounting purposes as shareholder deposits until the stock certificates representing these shares were issued to the shareholders in January 2009. We believe these issuances were exempt from registration under Rule 506 of Regulation D under Section 4(2) of the Securities Act. See “UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.” In addition, we refunded to these shareholders overpayments totaling \$3,375 in connection with the above-described exercises of the stock warrants. We did not secure any additional funding through the issuance of our common stock during the first quarter of 2009.

We used the proceeds from the sales of our equity securities and the amount borrowed from the short-term line of credit obtained in December 2008 to fund our operating and compliance costs during the first quarter of 2009. We plan to use the remaining portion of the line of credit to fund our operating and compliance costs during the second quarter of 2009. We do not have any revenues and continue to be dependent on debt and equity financing to meet our immediate cash needs, and we do not anticipate achieving any revenues through the second quarter of 2009. Because it is unlikely we will achieve sufficient revenues for the repayment of the short-term line of credit, we will be required to issue shares of our common stock to KRFH unless we can raise the necessary funds through further debt or equity financings. We will also must raise additional funds through debt or equity financings to continue our operations beyond the second quarter of 2009. We can provide no assurance that we will be able to raise the funds necessary for the repayment of the line of credit and for our continued operations on terms favorable to us or at all.

Historically, certain of our directors have from time to time advanced funds to our Company for the payment of operating expenses. These advances have been repaid in cash and through the issuance of restricted shares of our common stock. There were no amounts owing to the Company’s directors at March 31, 2009, and during the period ended March 31, 2009, our directors did not advance any funds to the Company.

LIQUIDITY

Liquidity and Capital Resources

		Three months ended Mar. 31,	
		2009	2008
Net cash used in operating activities	\$	(124,859)	\$ (170,116)
Net cash provided by investing activities		—	—
Net cash provided by financing activities		173,375	125,000

General

Overall, we had positive cash flows of \$57,404 for the three months ended March 31, 2009, resulting from \$124,859 used in our operating activities and \$173,375 provided by our financing activities. No cash was provided by investing activities during the three months ended March 31, 2009. For the three months ended March 31, 2008, we had negative cash flows of \$45,116. The increase in cash flows for the three-month period ended March 31, 2009, over the same period in 2008 reflects a \$45,257 decrease in cash used for operating activities and a \$48,375 increase in cash provided by financing activities during the interim period in 2009 compared to the respective amounts during the same period in 2008.

Cash Used in Our Operating Activities

For the three-month period ended March 31, 2009, net cash used in our operating activities was \$124,859, a decrease of \$45,257 from the same period in 2008. This decrease was due largely to the \$90,297 decrease in our net loss for the interim period in 2009 over the interim period in 2008, which resulted primarily from the smaller amounts

expended for our decreased mineral exploration activity on our Detrital Wash Property and the reduction in professional fees expense from the first quarter of 2008 to the first quarter of 2009. The effect of the smaller net loss for the interim period in 2009 on our cash flows from operating activities was offset partially by other variables, most notably a decrease in accounts payable and accrued expenses during the first quarter of 2009 versus an increase in accounts payable and accrued expenses during the first quarter of 2008. The decrease in accounts payable and accrued expenses was due to our use of proceeds from our December 2008 line of credit to pay certain outstanding operating expenses.

Cash Provided by Our Financing Activities

Net cash provided by our financing activities of \$173,375 during the three-month period ended March 31, 2009, was comprised of \$170,000 cash provided by proceeds from a short-term line of credit we obtained in December 2008, along with \$3,375 recognized in connection with the sale of our common stock upon exercise common stock warrants. See “– GENERAL – Financing” and “UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.” This reflects an increase of \$48,375 as compared to net cash provided by financing activities during the three months ended March 31, 2008. Net cash provided by financing activities during the first three months of 2008 resulted from borrowed under a line of credit obtained by the Company in December 2007.

Internal Sources of Liquidity

For the three-month period ended March 31, 2009, the funds generated from our operations were insufficient to fund our daily operations. We can provide no assurance that funds from our operations will meet the requirements of our daily operations in the future. Unless and until funds from our operations are sufficient to meet our operating requirements, we will continue to need to seek other sources of financing to maintain liquidity.

External Sources of Liquidity

Because we have been unable to generate funds from operations sufficient to fund our daily operations, we must rely on external sources of liquidity. We continue to consider and pursue potential financing options to secure funds to continue and, where possible, grow our business operations. Our management will review any financing options at its disposal, and will judge each potential source of funds on its individual merits.

On December 1, 2008, we obtained a \$200,000 short-term line of credit from KRFH. During December 2008, we borrowed \$30,000 under this line of credit. We borrowed the remaining \$170,000 under this line of credit during the first quarter of 2009 to fund our operating and compliance costs for the quarter. See “– GENERAL – Financing.” We intend to use the remaining amount of these funds to fund some or all of our operating and compliance costs for the second quarter of 2009.

During the three months ended March 31, 2009, we recognized \$3,375 in capital from the sale of our restricted common stock upon exercise of common stock warrants in October 2008, which was previously classified in our financial statements as shareholder deposits until the stock certificates were issued to the shareholders in January 2009. See “– GENERAL – Financing” and UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.”

Because we presently do not have sufficient revenues to fund our operating and compliance costs or to fund our repayment of our debt obligations, we will need to raise other funds in 2009 through debt and equity financings. We can provide no assurance that we will be able to raise the necessary funds on terms favorable to us or at all. See “– GENERAL – Going Concern.”

Inflation

Management believes that inflation has not had a material effect on our results of operations in the first quarter of 2009, and does not expect that it will in the second quarter of 2009, except that a return of higher fuel and energy prices similar to summer 2008 price levels could materially and adversely impact the Company by increasing costs for our exploration program.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

Our management evaluated, with the participation of our President and our Treasurer/Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, March 31, 2009. Based on this evaluation, our President and our Treasurer/Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report were effective in timely alerting management to material information relating to us and required to be included in our periodic filings with the SEC.

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our periodic reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Internal Control over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, our controls and procedures may not prevent or detect misstatements. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Because of the inherent limitations in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Our management has assessed the effectiveness of our internal control over financial reporting based on the criteria in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway

Commission. Based on our evaluation under the criteria in Internal Control — Integrated Framework, we concluded that there are material weaknesses in our internal control over financial reporting as of December 31, 2008, with respect to the lack of segregation of duties pertaining to our financial record keeping responsibilities and our lack of an audit committee, both of which are due to the small size of our Company.

Because we do not have any employees other than our President and our Secretary and Treasurer, our ability to segregate financial record keeping and monitoring responsibilities is limited. This could potentially allow financial inaccuracies or unauthorized transactions to go undetected. Additionally, due to the small size of our board of directors and our current lack of independent directors, we do not have, and historically have not had, an audit committee. Historically, the board of directors as a whole has performed the functions of an audit committee, such as monitoring record keeping and financial reporting of the Company's transactions, approving transactions not made in the ordinary course of business and related party transactions, and evaluating and approving the hiring of the Company's auditor. Because our management makes up a significant portion, currently a majority, of our board of directors, management can significantly influence or control the board's decisions with respect to matters considered by the board.

Notwithstanding these inherent internal control weaknesses due to our small size, management believes that the Company's limited resources and general lack of extensive or complex business transactions partially mitigates the risk posed by these weaknesses. Management also believes that the Company's records as of December 31, 2008, fairly and accurately reflect the Company's transactions and dispositions of assets as necessary to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles and that our receipts and expenditures have been made only with proper authorization.

Our Annual Report on Form 10-K for the year ended December 31, 2008, does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this Annual Report.

Changes in Internal Control Over Financial Reporting

There was no change in our internal controls that occurred during the three month period ended March 31, 2009, 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

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 March 31, 2009, we know of no current or threatened legal proceedings involving us or our properties reportable under this Item 1.

ITEM 1A. RISK FACTORS

The business of mineral exploration is inherently speculative and involves a number of general risks which could materially adversely affect our results of operation and financial condition, including among others, the rarity of commercial mineral deposits, environmental and other laws and regulations, physical dangers to personnel associated with exploration activity, and political events. Risks and uncertainties that are currently unknown to management may also adversely affect our business and operation. The following is a discussion of the most significant risks and uncertainties that may affect our business, financial condition and future results.

Exploration for mineral deposits is highly speculative.

There is generally no way to recover any of the funds expended on exploration unless the company establishes the existence of mineable reserves and then exploits those reserves by either commencing mining operations, selling or leasing its interest in the property, or entering into a joint venture with a larger resource company that can develop the property to the production stage. Unless we can establish and exploit reserves before our funds are exhausted, we will have to discontinue operations, which could make our stock valueless.

We have no reserves, no mining operations and no mineral related income.

Reserves, by definition, contain mineral deposits in a quantity and in a form from which the target minerals may be economically and legally extracted or produced. We have not established that such reserves exist on our properties, and unless and until we do so, we will not have any income from our mineral operations.

Our directors and executive officers lack significant experience or technical training in exploring for precious and base metal deposits and in developing mines.

Our directors and executive officers lack significant experience or technical training in exploring for precious and base metal deposits and in developing mines. Accordingly, our management may not be fully aware of many of the specific requirements related to working within this industry. Their decisions and choices may not take into account standard engineering or managerial approaches that mineral exploration companies commonly use. Consequently, our operations, earnings, and ultimate financial success could suffer irreparable harm due to our management's lack of experience in the mining industry. We have aligned our Company with reputable, knowledgeable experts in the mining industry to overcome this lack of experience and expertise.

Future changes in regulatory or political policy could adversely affect our exploration.

Any changes in government policy may result in changes to laws affecting ownership of assets, land tenure, mining policies, taxation, environmental regulations, labor relations, or other factors relating to our exploration activities. Such changes could cause us to incur significant unforeseen expenses of compliance or even require us to suspend our activities altogether.

Our directors and executive officers own a significant amount of our common stock and can exert considerable influence over us.

Our directors and executive officers own, directly or indirectly, a significant amount of our voting capital common stock, and accordingly, can exert considerable influence over us. As of April 30, 2009, our directors and executive officers beneficially owned common stock which would equal in the aggregate approximately 21.93% of the voting power of our outstanding common stock. As a result, these stockholders are potentially able to significantly influence the decision on all matters requiring stockholder approval, including the election of directors and the approval of significant corporate transactions.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the first quarter of 2009, we recognized \$3,375 in capital from the proceeds of the sale of a total of 2,250,000 shares of our common stock on October 14, 2008, to three existing shareholders upon exercise of stock warrants. This amount was previously classified in our financial statements as shareholder deposits until the stock certificates representing these 2,250,000 shares were issued to the shareholders in January 2009. These sales were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008. We believe the issuance of these securities was exempt from registration under Rule 506 of Regulation D promulgated under Section 4(2) of the Securities Act. We did not make any other sales of unregistered equity securities during the three-month period ended March 31, 2009.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Index

Exhibit Description

No.

- 31.1* Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2* Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1* Certification of Chief Executive Officer pursuant to 18 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 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Filed herewith

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.

Date: May 15, 2009

By: /s/ STERLING M. REDFERN
Sterling M. Redfern
President and Director

Date: May 15, 2009

By: /s/ JACQULYN B. WINE
Jacquelyn B. Wine
Secretary, Treasurer/Chief
Financial Officer and Director