

INTERNATIONAL ISOTOPES INC
Form 10QSB
November 14, 2006

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

FORM 10-QSB

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

For the quarterly period ended
September 30, 2006

Commission file number:
0-22923

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

Texas
(State of incorporation)

74-2763837
(IRS Employer Identification Number)

4137 Commerce Circle

Idaho Falls, Idaho, 83401

(Address of principal executive offices)

208-524-5300

(Issuer's telephone number, including area code)

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

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 November 8, 2006 the number of shares of Common Stock, \$.01 par value, outstanding was 216,705,145.

INTERNATIONAL ISOTOPES INC.

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Part I. Financial Statements**Item 1. Financial Statements**

INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

	September 30,	December 31,
	2006	2005
Assets		
Current assets:		
Cash and cash equivalents	\$ 197,488	\$ 184,631
Accounts receivable	535,229	386,862
Inventories	2,383,603	2,668,911
Prepays and other current assets	102,489	132,562
Total current assets	3,218,809	3,372,966
Long-term assets		
Restricted certificate of deposit	175,000	178,684
Property, plant and equipment, net	2,134,580	1,876,464
Capitalized lease disposal costs, net	101,811	112,935
Patents, net	76,125	84,000
Total long-term assets	2,487,516	2,252,083
Total assets	\$ 5,706,325	\$ 5,625,049
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 195,809	\$ 238,393
Accrued liabilities	274,260	261,709
Current installments of notes payable	2,402,010	1,057,069
Current installments of capital leases	26,029	-
Total current liabilities	2,898,108	1,557,171
Long-term liabilities		
Obligation for lease disposal costs	202,628	191,160
Notes payable, excluding current installments	-	1,327,421

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Capital leases, excluding current installments	116,696	-
Mandatorily redeemable convertible preferred stock	850,000	850,000
Total long-term liabilities	1,169,324	2,368,581
Total liabilities	4,067,432	3,925,752
Stockholders' equity		
Common stock, \$0.01 par value; 500,000,000 shares authorized;		
213,605,079 and 206,582,688 shares issued and outstanding respectively	2,136,052	2,065,826
Additional paid-in capital	89,868,342	89,429,810
Accumulated deficit	(90,365,501)	(89,796,339)
Total stockholders' equity	1,638,893	1,699,297
Total liabilities and stockholders' equity	\$ 5,706,325	\$ 5,625,049

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations

	Three Months ended September 30,		Nine Months ended September 30,	
	2006	2005	2006	2005
Sale of product	\$ 1,458,260	\$ 828,439	\$ 3,641,098	\$ 2,177,270
Cost of product	852,284	465,806	1,967,402	1,199,806
Gross profit	605,976	362,633	1,673,696	977,464
Operating costs and expenses:				
Salaries and contract labor	333,277	192,041	912,518	649,862
General, administrative and consulting	375,454	257,481	1,149,450	902,726
Research and development	13,732	13,500	44,990	52,372
Total operating expenses	722,463	463,022	2,106,958	1,604,960
Operating loss	(116,487)	(100,389)	(433,262)	(627,496)
Other income (expense):				
Other income	-	61	3,785	635
Interest income	1,556	1,103	3,779	2,574

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Interest expense	(50,810)	(45,690)	(143,464)	(124,250)
Total other expense	(49,254)	(44,526)	(135,900)	(121,041)
Net Loss	\$ (165,741)	\$ (144,915)	\$ (569,162)	\$ (748,537)
Net loss per common share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted common shares outstanding -				
basic and diluted	213,184,707	188,035,592	211,078,457	182,227,488

See accompanying notes to condensed consolidated financial statements.

INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows

	Nine Months ended September 30,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (569,162)	\$ (748,537)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	125,519	165,664
Loss on disposal of property, plant and equipment	27,268	-
Accretion of obligation for lease disposal costs	11,468	-
Compensation expense related to issuance of options	155,329	-
Changes in operating assets and liabilities:		
Accounts receivable	(148,367)	67,530
Prepays and other assets	30,073	(265,499)
Inventories	285,308	4,222
Accounts payable and accrued liabilities	(30,034)	(3,666)
Net cash used in operating activities	(112,598)	(780,286)
Cash flows from investing activities:		
Restricted certificate of deposit	3,684	(24,846)
Purchase of patents	-	(10,287)
Purchase of property, plant and equipment	(228,971)	(569,684)
Net cash used in investing activities	(225,287)	(604,817)
Cash flows from financing activities:		
Proceeds from exercise of warrants	346,577	1,459,778

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Proceeds from sale of stock	6,853	3,436
Redemption of debt	-	(1,193)
Proceeds from issuance of debt	100,000	150,000
Principal payments on notes payable	(102,688)	(36,353)
Net cash provided by financing activities	350,742	1,575,668
Net change in cash and cash equivalents	12,857	190,565
Cash and cash equivalents at beginning of period	184,631	150,051
Cash and cash equivalents at end of period	\$ 197,488	\$ 340,616
Supplemental disclosure of cash flow activities:		
Cash paid for interest, net of amounts capitalized	\$ 177,990	\$ 111,597
Supplemental disclosure of noncash transactions:		
Assets acquired through capital lease	\$ 202,910	\$ -
Capitalization of lease disposal costs	-	25,413

See accompanying notes to condensed consolidated financial statements

INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

(1)

The Company and Basis of Presentation

International Isotopes Inc. (the Company) was formed as a Texas corporation in 1995. Its wholly owned subsidiaries, are International Isotopes Idaho Inc.; International Isotopes Fluorine Products Inc.; and International Isotopes Transportation Services Inc., all of which are Idaho corporations. The Company's headquarters and all operations are located in Idaho Falls, Idaho.

Nature of Operations The Company's business consists of five reportable segments: Nuclear Medicine Standards, Cobalt Products, Radiochemical Products, Fluorine Products, and Radiological Services.

With the exception of certain unique products, the Company's normal operating cycle is considered to be one year. Due to the time required to produce some cobalt products, the Company's operating cycle for those products is considered to be three years. All assets expected to be realized in cash or sold during the normal operating cycle of business are classified as current assets.

Principles of Consolidation The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries International Isotopes Idaho Inc., International Isotopes Fluorine Products Inc., and International Isotopes Transportation Services Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

Interim Financial Information The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for int