

INTERNATIONAL ISOTOPES INC  
Form 10QSB  
May 15, 2007

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

**FORM 10-QSB**

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

**For the quarterly period ended March 31, 2007**

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

**Commission file number:**

**0-22923**

**INTERNATIONAL ISOTOPES INC.**

*(Exact name of registrant as specified in its charter)*

**Texas**

*(State or other jurisdiction of incorporation or organization)*

**74-2763837**

*(IRS Employer Identification Number)*

**4137 Commerce Circle**

**Idaho Falls, ID. 83401**

*(Address of principal executive offices)*

**208-524-5300**

*(Issuer's telephone number)*

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 April 30, 2007 the number of shares of Common Stock, \$.01 par value, outstanding was 239,619,693.



**INTERNATIONAL ISOTOPES INC.**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
<b>PART 1 FINANCIAL INFORMATION</b>	
Item 1 - Financial Statements	
Unaudited Condensed Consolidated Balance Sheets at March 31, 2007 and December 31, 2006	3
Unaudited Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2007 and 2006	4
Unaudited Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2007 and 2006	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2 - Management's Discussion and Analysis or Plan of Operation	11
Item 3 Disclosure, Controls and Procedures	13
<b>PART II OTHER INFORMATION</b>	
Item 6 - Exhibits	14
Signatures	14



## Part I. Financial Statements

## Item 1. Financial Statements

**INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES****Unaudited Condensed Consolidated Balance Sheets**

<b>Assets</b>	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Current assets:		
Cash and cash equivalents	\$ 690,582	\$ 169,702
Accounts receivable	486,809	353,379
Inventories	2,659,219	2,537,627
Prepays and other current assets	81,668	115,589
Total current assets	3,918,278	3,176,297
Long-term assets		
Restricted certificate of deposit	178,942	176,966
Property, plant and equipment, net	2,158,477	2,077,844
Capitalized lease disposal costs, net	94,395	98,103
Patents, net	70,875	73,500
Total long-term assets	2,502,689	2,426,413
Total assets	\$ 6,420,967	\$ 5,602,710
<b>Liabilities and Stockholders Equity</b>		
Current liabilities		
Accounts payable	\$ 238,750	\$ 208,993
Accrued liabilities	449,262	436,099
Current installments of capital leases	27,523	26,518
Current installments of notes payable	1,150,126	1,738,828
Total current liabilities	1,865,661	2,410,438

Edgar Filing: INTERNATIONAL ISOTOPES INC - Form 10QSB

Long-term liabilities		
Obligation for lease disposal costs	210,274	206,451
Capital leases, excluding current installments	100,269	112,111
Notes payable, excluding current installments	1,257,599	650,000
Mandatorily redeemable convertible preferred stock	850,000	850,000
Total long-term liabilities	2,418,142	1,818,562
Total liabilities	4,283,803	4,229,000
Stockholders' equity		
Common stock, \$0.01 par value; 500,000,000 shares authorized;		
230,791,991 and 216,721,144 shares issued and outstanding		
respectively	2,307,919	2,167,211
Additional paid-in capital	91,181,444	90,040,150
Accumulated deficit	(91,352,199)	(90,833,651)
Total stockholders' equity	2,137,164	1,373,710
Total liabilities and stockholders' equity	\$ 6,420,967	\$ 5,602,710

*See accompanying notes to condensed consolidated financial statements.*

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

	<b>Three Months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Sale of product	\$ 902,632	\$ 1,196,943
Cost of product	529,019	625,608
Gross profit	373,613	571,335
Operating costs and expenses:		
Salaries and contract labor	336,262	290,617
General, administrative and consulting	575,705	368,057
Research and development	8,858	14,791
Total operating expenses	920,825	673,465
Operating loss	(547,212)	(102,130)
Other income (expense)		
Other income	68,870	1,621
Interest income	1,936	1,157
Interest expense	(42,140)	(42,641)
Total other income (expense)	28,666	(39,863)
Net loss	\$ (518,546)	\$ (141,993)
Net loss per common share basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding - basic and diluted	219,552,696	209,112,994



*See accompanying notes to condensed consolidated financial statements.*

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

	<b>Three Months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Net loss	\$ (518,546)	\$ (141,993)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	81,158	44,024
Acretion of obligation for lease disposal costs	3,823	3,823
Compensation expense related to issuance of options	44,052	22,456
Changes in operating assets and liabilities:		
Accounts receivable	(133,430)	(15,590)
Prepays and other current assets	33,921	(18,004)
Inventories	(121,592)	42,900
Accounts payable and accrued liabilities	42,918	60,761
Net cash used in operating activities	(567,696)	(1,623)
Cash flows from investing activities:		
Restricted certificate of deposit	(1,976)	(1,117)
Purchase of property, plant and equipment	(112,959)	(147,312)
Net cash used in investing activities	(114,935)	(148,429)
Cash flows from financing activities:		
Proceeds from exercise of warrants	35,645	222,974
Proceeds from sale of stock	1,202,305	1,757
Proceeds from issuance of debt	-	-
Principal payments on notes payable	(34,439)	(20,140)
Net cash provided by financing activities	1,203,511	204,591

Edgar Filing: INTERNATIONAL ISOTOPES INC - Form 10QSB

Net change in cash and cash equivalents	520,880	54,539
Cash and cash equivalents at beginning of period	169,702	184,631
Cash and cash equivalents at end of period	\$ 690,582	\$ 239,170
Supplemental disclosure of cash flow activities:		
Cash paid for interest	\$ 23,828	\$ 44,107
Non-cash investing and financing activities:		
Issuance of note payable for property and equipment	\$ 42,499	\$ -

*See accompanying notes to condensed consolidated financial statements.*

INTERNATIONAL ISOTOPES INC. AND SUBSIDIARY

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 six major business segments which include: Nuclear Medicine Standards, Cobalt Products, Radiochemical Products, Fluorine Products, Radiological Services, and Transportation 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. As of March 31, 2007, the Company had 26 full time employees.

*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 interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by accounting principles generally

accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments and reclassifications considered necessary for a fair and comparable presentation have been included and are of a normal recurring nature. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. The accompanying financial statements should be read in conjunction with the Company's most recent audited financial statements.

*Stock-based Compensation Plans* - For the three months ended March 31, 2007 and 2006, the Company recorded compensation expense of \$44,052 and \$22,456 related to stock options, respectively.

(2)

#### Current Developments and Liquidity

*Business Condition* Since inception, the Company has suffered substantial losses. During the period ended March 31, 2007, the Company had a loss of \$518,546 and operations used cash of \$567,696. During the same period in 2006, the Company had a loss of \$141,993 and operations used cash of \$1,623. The Company believes that continued growth in our major business segments, and the start of the fluorine product sales will lead to increased revenue and improved cash flow for the Company. Based upon these improvements to business conditions management expects to generate sufficient cash flows to meet operational needs during 2007; however, there is no assurance that these cash flows will occur.

(3)

Net Loss Per Common Share - Basic and Diluted

At March 31, 2007, and 2006, the Company had the following common stock equivalents outstanding that were not included in the computation of diluted net loss per common share as their effect would have been anti-dilutive, thereby decreasing the net loss per common share:

	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
Stock options	22,650,000	18,650,000
Series B warrants	8,741,965	15,009,903
Class C warrants	13,333,331	-
Class D warrants	13,333,331	-
850 shares of Series B redeemable		
convertible preferred stock	425,000	425,000
\$650,000 of convertible notes payable	8,125,000	8,125,000
	66,608,627	42,209,903

(4)

Inventories

Inventories consist of the following at March 31, 2007 and December 31, 2006

	<b>March 31, 2007</b>		<b>December 31, 2006</b>	
Raw materials	\$	263,337	\$	263,791

Work in progress		2,395,882		2,273,836
	\$	2,659,219	\$	2,537,627

(5)

Stockholders Equity and Warrants

Private Placement

On March 21, 2007, the Company completed a private placement offering of 13,333,331 Units priced at \$0.09 per Unit for proceeds of \$1,200,000. Each Unit consisted of one share of common stock, one Class C warrant to purchase a share of common stock at \$0.10 per share and one Class D warrant to purchase a share of common stock at \$0.11. The warrants expire in March 2011. The proceeds were allocated to the warrants based upon their fair value of \$2,460,000, and resulted in \$751,783 being allocated to the warrants and \$448,217 allocated to the shares of common stock. The fair value of the warrants, determined using the Black-Scholes Option Pricing Model, was calculated using the following assumptions: risk free interest rate of 4.43%, expected dividend yield of 0%, expected volatility of 133.76% and an expected life of 4 years.

The common shares and the shares underlying the warrants have registration rights, and the Company is required to file a registration statement including said shares with the Securities and Exchange Commission. The registration statement was filed on May 7, 2007.

## Warrants

During the three months ended March 31, 2007, 712,906 Series B warrants were exercised for cash proceeds of \$35,645. At March 31, 2007, the Company had 8,741,965 Series B warrants outstanding.

During the three months ended March 31, 2007, in conjunction with a Private Placement Offering, the Company issued 13,333,331 Class C warrants and 13,333,331 Class D warrants.

## Employee Stock Purchase Plan

During the three months ended March 31, 2007, the Company issued 24,610 shares of common stock to employees for proceeds of \$2,305 in accordance with the employee stock purchase plan. Subsequent to March 31, 2007, the Company issued an additional 14,673 shares for proceeds of \$1,497.

(6)

## Notes Payable

During the three months ended March 31, 2007, the Company secured financing on equipment purchased for its transportation segment in the amount of \$32,499. The note bears interest at 8.99%, requires monthly payments of \$674, is due March 2012, and is secured by equipment.

During March 2007, the company re-negotiated the \$648,075 note payable. The new terms call for interest of 10.25% with 23 payments of \$9,711 beginning April 30, 2007. All unpaid principle and interest is due March 31, 2009. As a result of the transaction, \$580,491 is classified as a long-term liability in the accompanying financial statements.

In April 2007, the Company converted all of the \$650,000 convertible notes payable and \$23,614 of accrued interest at \$0.08 per share into 8,420,172 shares of common stock.



(7)

Other Income

The Company was awarded a grant by the National Science Foundation (NSF) Small Business Innovation Research program of approximately \$100,000 to complete a Phase I investigation into the use of germanium tetrafluoride as a fluorinating agent for development of new and more efficient processes for production of hydrofluorocarbon (HFC) refrigerants. Under this NSF program, the Company will conduct experiments intended to obtain evidence for germanium tetrafluoride fluorination by halogen exchange to determine whether production of HFC refrigerants is possible. As of March 31, 2007, the Company had received approximately \$66,000 from this grant.

(8)

Commitments and Contingencies

Dependence on Third Parties

The production of HSA Cobalt is dependent upon the U.S. Department of Energy, and its prime operating contractor, who controls the reactor operations. The revenue associated with the sale of HSA Cobalt is largely dependent on the Company's sole customer for this product. Nuclear Medicine Standard's manufacturing is conducted under an exclusive contract with another of our customers, RadQual, LLC, who in turn has an agreement in place with several companies for distributing the product. A loss of either of these customers could adversely affect operating results by causing a delay in production or a possible loss of sales.

### Contingencies

Because all of the Company's business segments involve radioactive materials the Company is required to have an operating license from the Nuclear Regulatory Commission ( NRC ) and specially trained staff to handle these materials. The Company has amended the NRC license numerous times to address changes in the quantities of material being handled, and to describe the types of activities being conducted in the facility, and has obtained an additional license for the Fluorine Products subsidiary operations. Additional processing capabilities and license amendments could be implemented that would permit processing of other reactor-produced radioisotopes by the Company, but our current licenses do not restrict the volume of business operations currently performed or projected to be performed in the coming year. An irrevocable, automatic renewable letter of credit against a Certificate of Deposit at Texas State Bank has been used to provide the financial assurance required by the NRC for these licenses.

### Litigation

The Company was named as a defendant in a lawsuit filed by a former employee. The plaintiff has alleged that the Company breached his employment contract, by failing to provide six months continuation pay upon his termination. In April 2007, the lawsuit was settled by the Company for a cash payment of \$43,000, which has been accrued at March 31, 2007.

(9)

### Segment Information

Segment information has been prepared in accordance with SFAS No. 131, Disclosure About Segments of an Enterprise and Related Information.

The Company has six reportable segments which include; Nuclear Medicine, Cobalt Products, Radiochemical Products, Fluorine Products, Radiological Services, and Transportation Services. Information regarding the operations and assets of these reportable business segments is contained in the following table:

Sale of Product	<b>Three Months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Radiochemical Products	\$ 225,914	\$ 200,741
Cobalt Products	39,025	393,086
Nuclear Medicine Standards	463,868	449,510
Radiological Services	147,609	153,606
Flourine Products	-	-
Transportation	26,216	-
Total Segments	902,632	1,196,943
Corporate revenue	-	-
Total Consolidated	\$ 902,632	\$ 1,196,943

Depreciation and Amortization	<b>Three Months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Radiochemical Products	\$ 11,395	\$ 13,198
Cobalt Products	15,906	10,882
Nuclear Medicine Standards	1,758	3,261
Radiological Services	314	1,522
Flourine Products	39,531	2,701
Transportation	1,273	-
Total Segments	70,177	31,564
Corporate depreciation and amortization	10,981	12,460
Total Consolidated	\$ 81,158	\$ 44,024

Segment Income (Loss)	<b>Three Months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Radiochemical Products	\$ 18,883	\$ 1,055
Cobalt Products	7,087	158,807
Nuclear Medicine Standards	143,019	208,411
Radiological Services	75,800	70,943
Flourine Products	(268,777)	(155,530)
Transportation	(25,045)	-
Total Segments	(49,033)	283,686
Corporate loss	(469,513)	(425,679)
Net Loss	\$ (518,546)	\$ (141,993)

Expenditures for Segment Assets	<b>Three Months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Radiochemical Products	\$ -	\$ -
Cobalt Products	83,958	-
Nuclear Medicine Standards	-	-
Radiological Services	-	19,369
Flourine Products	27,812	126,913
Transportation	42,499	-
Total Segments	154,269	146,282
Corporate purchases	1,189	1,030
Total Consolidated	\$ 155,458	\$ 147,312

Segment Assets	<b>Three Months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Radiochemical Products	\$ 353,258	\$ 348,769
Cobalt Products	2,983,452	2,772,027
Nuclear Medicine Standards	551,474	438,522
Radiological Services	56,305	58,999
Flourine Products	1,329,455	1,343,799

Edgar Filing: INTERNATIONAL ISOTOPES INC - Form 10QSB

Transportation		62,917		38,255
Total Segments		5,336,861		5,000,371
Corporate assets	\$	1,084,106	\$	602,339
Total Consolidated		6,420,967		5,602,710

- 10 -

---

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

*This Quarterly Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, including statements regarding industry prospects and future results of operations or financial position, made in this Quarterly Report are forward looking. In particular, statements regarding growth in our business segments; increased cash flow to meet operational needs; improvement in our financial strength, debt ratio and attractiveness to investors and lenders; future liquidity requirements; NRC licensing requirements; the outcome of pending litigation; and the consequences of the loss of any of our major customers are forward looking. Forward-looking statements reflect management's current expectations, plans or projections. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Certain risks and uncertainties that could cause our actual results to differ significantly from management's expectations are described in the risk factors set forth in our annual report on Form 10-KSB for the fiscal year ended December 31, 2006 filed with the securities and Exchange Commission on April xx, 2007. These factors, describe some but not all of the factors that could cause actual results to differ significantly from management's expectations. The Company will not publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are urged, however, to review the factors set forth in reports that we file from time to time with the Securities and Exchange Commission.*

### RESULTS OF OPERATIONS

*Three-month periods ended March 31, 2007 and 2006.*

Revenues for the three-month period ended March 31, 2007 were \$902,632 as compared to \$1,196,943 for the same period in 2006, a decrease of \$294,311 or approximately 25%. Nearly all of the decrease in total revenues was attributable to the timing of cobalt sales in 2007 compared to 2006. We typically only have one or two large sales of high activity cobalt product during the course of the calendar year and the timing of those sales has a significant impact upon quarterly revenue reports and period comparisons. Excluding cobalt product sales, revenues for the three-month period ended March 31, 2006, were \$803,857 as compared to \$863,607 for the same period in 2007, which represents an increase of \$59,750 or approximately 7%. Because of the significant impact of the timing of cobalt product sales, management believes that excluding sales of cobalt products from the period comparisons of revenues provides useful information to investors. Please refer to the tables below for a further analysis of this measure:

#### **Three-Month Financial Measure Reconciliation**

	<b>Period ended March 31, 2006</b>	<b>Period ended March 31, 2007</b>
Total Revenues	\$ 1,196,943	\$ 902,632
Cobalt Products Revenues	\$ 393,086	\$ 39,025
Total Revenues Excluding Cobalt		
Products Revenues	\$ 803,857	\$ 863,607

Gross profit for the three-month period ended March 31, 2007 was \$373,613 (41% of revenue) compared to \$571,335 (or 48% of revenue) for the same period in 2006. Operating expenses increased to \$920,825 for the three-month period ended March 31, 2007 compared to \$673,465 for the same period of 2006, an increase of \$247,360 or 37%.

The most significant factor in the increased operating expense was attributable to an increase in general and administrative (G&A) expense during the period. G&A expenses totaled \$575,705 for the three-month period ended March 31, 2007 as compared to \$368,057 for the same period of 2006, an increase of \$207,648 or 56%. Most of this increase was attributable to added expense in the Fluorine Production segment. These added expenses included equipment depreciation, phase I grant activities, operating supplies, utilities, health and safety items, and insurance.

With the exception of the expense related to the phase I grant activities, all of these costs are the result of the fluorine production facility changing status to an active operational production facility. The Company also incurred \$43,000 in expense related to the settlement of a lawsuit with a former employee. Operational expense, salaries and contract labor for the three-month period ended March 31, 2007 were \$336,262 as compared to \$290,617 for the same period of 2006, an increase of \$45,645 or 16%. The increase in operational expense and salaries was attributable to increased costs for the Fluorine Products and transportation subsidiaries.

Our loss for the three-month period ended March 31, 2007 was \$518,546 compared to a loss of \$141,993 for the same period in 2006. This represents an increase in loss of \$376,553 for the periods in comparison. The major elements responsible for this increased loss were increased Operational and G&A expense associated with the Fluorine Production segment; stock option expense, which had not been included into financial statements in prior years; and the litigation settlement. Also effecting loss was the decrease revenue for the period as a result of the timing of the cobalt sales.

Interest expense for the three-month period ended March 31, 2007 was \$42,140 as compared to \$42,641 for the same period in 2006.

#### LIQUIDITY AND CAPITAL RESOURCES

On March 31, 2007, we had cash and cash equivalents of \$690,582 compared to \$169,702 at December 31, 2006. For the three months ended March 31, 2007, net cash used in operating activities was \$567,696, investing activities used \$114,935, and financing activities provided \$1,203,511. The increase in net cash was provided by the private placement investment agreement completed during the first quarter.

Our future liquidity and capital funding requirements will depend on numerous factors, including, contract manufacturing agreements, commercial relationships, technological developments, market factors, available credit, and voluntary warrant redemption by shareholders. We have an open line of credit for \$250,000 with Texas State Bank that currently has been fully drawn down. We have 8,741,965 Series B warrants still outstanding from the Company's Rights Offering conducted in 2003.

On March 21, 2007, we completed a private placement offering of 13,333,331 Units priced at \$0.09 per Unit for proceeds of \$1,200,000. Each Unit consisted of one share of common stock, one Class C warrant to purchase a share of common stock at \$0.10 per share and one Class D warrant to purchase a share of common stock at \$0.11 per share. The proceeds were allocated to the warrants based upon their fair value of \$2,460,000, and the balance of the proceeds was allocated to the shares of common stock. The common shares and the shares underlying the warrants have registration rights. A statement was filed with the Securities and Exchange Commission on May 7, 2007.

In April 2007, we converted all of the \$650,000 convertible notes payable and \$23,614 of accrued interest at \$0.08 per share into 8,420,172 shares of common stock. As a result, the \$650,000 is classified as a long-term liability in the accompanying financial statements. The Company had originally completed the Note purchase agreement with certain



of our principal investors and Directors in January 2005. The Notes were convertible into common stock at \$.08

### LITIGATION

The Company was named as a defendant in a lawsuit filed by a former employee. The plaintiff has alleged that the Company breached his employment contract, by failing to provide six months continuation pay upon his termination. In April 2007, the lawsuit was settled for a cash payment of \$43,000, which has been recorded at March 31, 2007.

### MATERIAL CHANGES

In January, 2007, we were awarded a grant by the National Science Foundation (NSF) Small Business Innovation Research program of approximately \$100,000 to complete a Phase I investigation into the use of germanium tetrafluoride as a fluorinating agent for development of new and more efficient processes for production of hydrofluorocarbon (HFC) refrigerants. Under this NSF program, we will conduct experiments intended to obtain evidence for germanium tetrafluoride fluorination by halogen exchange to determine whether production of HFC refrigerants is possible.

We announced on April 12, 2007, that the Company had entered into an Option Purchase Agreement with one of the owners and founders of RadQual LLC. Under the terms of this Agreement, we purchased shares representing about 6% of RadQual LLC and have an option to purchase additional units totaling just over 20% of RadQual. RadQual L.L.C is a privately held company that markets a wide range of nuclear medicine reference and calibration standards under the trademark name of Benchmark™. We have been the sole contract manufacturer of the Benchmark products since 2001.

### **ITEM 3. DISCLOSURE, CONTROLS, AND PROCEDURES**

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2007.

There was no change in the Company's internal controls over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to affect the Company's internal control over financial reporting.

Our principal executive officer and principal financial officer do not expect that our disclosure controls or our internal controls will prevent all error and all fraud. Although our disclosure controls and internal controls were designed to provide reasonable assurance of achieving their objectives, and our principal executive officer and principal financial officer have determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based partly on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

## **PART II. OTHER INFORMATION**

### **Item 6. Exhibits**

3(i)

Second Amended and Restated Articles of Incorporation (incorporated by reference to Appendix C to the Company's definitive proxy statement on Schedule 14A filed on May 1, 2006).

3(ii)

Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 filed on May 1, 1997 (Registration No. 333-26269)).

31.1

Certification under Section 302 of the Sarbanes-Oxley Act of 2002 for Chief Executive Officer.

31.2

Certification under Section 302 of the Sarbanes-Oxley Act of 2002 for Chief Financial Officer.

32

Certification by the Chief Executive and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SIGNATURES**

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

International Isotopes Inc.

(Registrant)

By: /s/ Steve T. Laflin

Steve T. Laflin

President and Chief Executive Officer

Date: May 15, 2007