INTERNATIONAL ISOTOPES INC
Form 10-Q
May 15, 2009

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D. C. 20549**

**FORM 10-Q**

(Mark One)

x 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

o 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:

0-22923

**INTERNATIONAL ISOTOPES INC.**

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

| | |
|---|---|
| **Texas** | **74-2763837** |
| *(State of incorporation)* | *(IRS Employer Identification Number)* |

**4137 Commerce Circle**

**Idaho Falls, Idaho, 83401**

*(Address of principal executive offices)*

**(208) 524-5300**

*(Registrant s telephone number, including area code)*

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. ý Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ 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 definitions of large accelerated filer," "accelerated filer and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨

Accelerated Filer ¨

Non-accelerated filer ¨ (Do not check if smaller reporting company)

Smaller Reporting Company ý

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

As of May 4, 2009 the number of shares of Common Stock, $.01 par value, outstanding was 288,877,401.

**INTERNATIONAL ISOTOPES INC.**

**TABLE OF CONTENTS**

Part I. Financial Information

Item 1. Financial Statements

**INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES**

**Unaudited Condensed Consolidated Balance Sheets**

| | March 31, | December 31, |
|---|---|---|
| **Assets** | **2009** | **2008** |
| Current assets | | |
| Cash and cash equivalents | $ 1,559,246 | $ 2,149,340 |
| Accounts receivable | 610,149 | 521,908 |
| Inventories | 2,558,110 | 2,518,254 |
| Prepaids and other current assets | 110,690 | 117,621 |
| Total current assets | 4,838,195 | 5,307,123 |
| | | |
| Long-term assets | | |
| Restricted certificate of deposit | 261,495 | 260,517 |
| Property, plant and equipment, net | 2,735,759 | 2,748,023 |
| Capitalized lease disposal costs, net | 79,846 | 86,974 |
| Investment | 1,290,000 | 1,290,000 |
| Patents and other intangibles, net | 251,654 | 247,682 |
| Total long-term assets | 4,618,754 | 4,633,196 |
| Total assets | $ 9,456,949 | $ 9,940,319 |
| | | |
| **Liabilities and Stockholders Equity** | | |
| Current liabilities | | |
| Accounts payable | $ 510,705 | $ 430,457 |
| Accrued liabilities | 393,227 | 348,427 |
| Deferred revenue | - | 102,814 |
| Current installments of capital leases | 34,086 | 33,149 |
| Current installments of notes payable | 116,140 | 580,759 |
| Total current liabilities | 1,054,158 | 1,495,606 |

| | | |
|---|---|---|
| Long-term liabilities | | |
| Obligation for lease disposal costs | 266,570 | 261,721 |
| Notes payable, excluding current installments | 1,374,410 | 930,493 |
| Capital leases, excluding current installments | 38,109 | 46,991 |
| Mandatorily redeemable convertible preferred stock | 850,000 | 850,000 |
| Total long-term liabilities | 2,529,089 | 2,089,205 |
| Total liabilities | 3,583,247 | 3,584,811 |
| | | |
| Stockholders Equity | | |
| Common stock, $0.01 par value; 500,000,000 shares authorized; 288,837,610 and 288,625,708 shares issued and outstanding respectively | 2,888,376 | 2,886,257 |
| Additional paid-in capital | 98,292,926 | 98,188,924 |
| Accumulated deficit | (95,307,600) | (94,719,673) |
| Total stockholders equity | 5,873,702 | 6,355,508 |
| Total liabilities and stockholders equity | $ 9,456,949 | $ 9,940,319 |

*See accompanying notes to condensed consolidated financial statements.*

**INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES**

**Unaudited Condensed Consolidated Statements of Operations**

| | Three Months ended March 31, | |
|---|---|---|
| | **2009** | **2008** |
| Sale of product | $ 1,699,670 | $ 1,307,938 |
| Cost of product | 830,736 | 609,536 |
| Gross profit | 868,934 | 698,402 |
| | | |
| Operating costs and expenses: | | |
| Salaries and contract labor | 536,054 | 512,612 |
| General, administrative and consulting | 898,645 | 617,167 |
| Research and development | 5,435 | 15,728 |
| Total operating expenses | 1,440,134 | 1,145,507 |
| | | |
| Operating loss | (571,200) | (447,105) |
| | | |
| Other income (expense): | | |
| Other income | 16,444 | 12,016 |
| Interest income | 5,957 | 5,314 |
| Interest expense | (39,128) | (36,169) |
| Total other income (expense) | (16,727) | (18,839) |
| Net loss | $ (587,927) | $ (465,944) |
| | | |
| Net loss per common share basic and diluted | $ (0.00) | $ (0.00) |
| | | |
| Weighted average common shares outstanding - | | |
| basic and diluted | 288,802,293 | 262,570,892 |

*See accompanying notes to condensed consolidated financial statements.*

**INTERNATIONAL ISOTOPES INC. AND SUBSIDIARIES**

**Unaudited Condensed Consolidated Statements of Cash Flows**

| | Three Months ended March 31, 2009 | 2008 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (587,927) | $ (465,944) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation and amortization | 101,660 | 93,545 |
| Accretion of obligation for lease disposal costs | 4,849 | 6,722 |
| Stock based compensation | 112,809 | 87,672 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (88,241) | (18,372) |
| Prepaids and other assets | 6,931 | (3,338) |
| Deferred revenue | (102,814) | |
| Inventories | (39,856) | (104,446) |
| Accounts payable and accrued liabilities | 116,221 | 79,598 |
| Net cash used in operating activities | (476,368) | (324,563) |
| | | |
| Cash flows from investing activities: | | |
| Restricted certificate of deposit | (978) | (60,063) |
| Purchase of property, plant and equipment | (86,239) | (171,690) |
| Net cash used in investing activities | (87,217) | (231,753) |
| | | |
| Cash flows from financing activities: | | |
| Proceeds from exercise of warrants | - | 1,466,666 |
| Proceeds from sale of stock | 7,189 | 1,510 |
| Principal payments on notes payable and capital leases | (33,698) | (30,488) |
| Net cash used in financing activities | (26,509) | 1,437,688 |
| | | |
| Net increase (decrease) in cash and cash equivalents | (590,094) | 881,372 |
| Cash and cash equivalents at beginning of period | 2,149,340 | 121,887 |
| Cash and cash equivalents at end of period | $ 1,559,246 | $ 1,003,259 |

| | | | | |
|---|---|---|---|---|
| Supplemental disclosure of cash flow activities: | | | | |
| Cash paid for interest | $ | 20,149 | $ | 22,581 |
| | | | | |
| Supplemental disclosure of noncash transactions: | | | | |
| Retirement of 77,091 shares of common stock at $0.18 per share to cover certain payroll taxes for employees in connection with shares granted to employees for restricted stock awards | $ | 13,877 | $ | - |

*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 incorporated in Texas in November 1995. The consolidated financial statements include all 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 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.

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 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 in order to make the financial statements not misleading and for a fair and comparable presentation have been included and are of a normal recurring nature. Operating results for the three month period ending March 31, 2009, is not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The accompanying financial statements should be read in conjunction with the Company s most recent audited financial statements.

*Recent Accounting Pronouncements*

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements,* which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position (FSP FIN) No. 157-2 which extended the effective date for certain nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The adoption of this standard did not have a material impact on our consolidated financial statements.

(2)

Current Developments and Liquidity

*Business Condition* Since inception, the Company has suffered substantial losses. During the three-month period ended March 31, 2009, the Company had a loss of $587,927 and operations used cash of $476,368. During the same period in 2008, the Company had a loss of $465,944 and operations used cash of $324,563. The Company believes that continued growth in its current business segments will continue to improve revenue and cash flow for the Company. However, the Company will continue to invest in development of the fluorine extraction process (FEP) technology and the design and licensing of a larger scale uranium de-conversion and fluorine extraction facility. Management expects to generate sufficient cash flows from the existing business segments to meet operational needs during 2009; however, there is no assurance that these cash flows will occur. In addition, the Company will likely require additional capital to support ongoing efforts to expand the Company business to include the envisioned large scale uranium de-conversion processing and fluorine extraction plant. Site studies as well as initial design and licensing activities for that new facility will continue through the remainder of 2009.

(3)

Net Loss Per Common Share - Basic and Diluted

At March 31, 2009, and 2008, 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:

| | March 31, | |
|---|---|---|
| | **2009** | **2008** |
| Stock options | 18,780,000 | 20,430,000 |
| Warrants | 21,533,331 | 13,333,331 |
| Restricted stock awards issued under the 2006 Equity Incentive Plan | 994,850 | |
| 850 shares of Series B redeemable convertible preferred stock | 425,000 | 425,000 |
| | 41,733,181 | 34,188,331 |

(4)

Inventories

Inventories consist of the following at March 31, 2009, and December 31, 2008:

| | **March 31, 2009** | **December 31, 2008** |
|---|---|---|
| Raw materials | $ 253,107 | $ 256,576 |
| Work in progress | 2,305,003 | 2,261,678 |
| | $ 2,558,110 | $ 2,518,254 |

(5)

Notes Payable

In April 2009, the Company renewed a promissory note with Compass Bank. The new note bears interest at 7.25%, requires monthly installments of $9,090 and matures in April 2011. At March 31, 2009, the outstanding balance on the note was $527,844.

(6)

Stockholders Equity, Options and Warrants

Employee Stock Purchase

During the three months ended March 31, 2009, the Company issued 40,281 shares of common stock to employees for proceeds of $7,189. Subsequent to March 31, 2009, the Company issued 39,791 shares of common stock to employees for proceeds of $6,426. All of these shares were issued in accordance with the Company s employee stock purchase plan.

Stock-based Compensation Plans

The Company accounts for issuances of stock-based compensation to employees under the provisions of Statement of Financial Accounting Standards (SFAS) No. 123(R). SFAS 123R requires the recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements and is measured based on the grant date fair value of the award. SFAS 123R also requires the stock option compensation expense to be recognized over the period during which an employee is required to provide service in exchange for the award (the vesting period).

The Company accounts for its issuances of stock-based compensation to non-employees for services using the measurement date guidelines enumerated in SFAS 123(R) and EITF 96-18. Accordingly, the value of any awards that were vested and non forfeitable at their date of issuance were measured based on the fair value of the equity instruments at the date of issuance. The non-vested portion of awards that are subject to the future performance of the counterparty are adjusted at each reporting date to their fair values based upon the then current market value of the Company s stock and other assumptions that management believes are reasonable. The fair value of the stock options granted was calculated using the Black-Scholes option pricing model.

Option awards - A summary of the status of the stock options as of March 31, 2009, and changes during the three months ended March 31, 2009, is as follows:

| **Fixed Options** | **Shares** | **Weighted Average Exercise Price** | **Weighted Average Remaining Term** | **Aggregate Intrinsic Value** |
|---|---|---|---|---|
| Outstanding at December 31, 2008 | 18,780,000 | $ 0.09 | | |
| Granted | - | - | | |
| Exercised | - | - | | |
| Forfeited | - | - | | |
| Outstanding at March 31, 2009 | 18,780,000 | 0.09 | 4.4 | $ 5,396,600 |
| Exercisable at March 31, 2009 | 16,880,000 | 0.06 | 4.1 | $ 5,126,600 |

The intrinsic value of outstanding and exercisable shares is based on a March 31, 2009, closing price of the Company s common stock of $0.35 per share.

As of March 31, 2009, there was approximately $185,023 of unrecognized compensation cost related to stock options that will be recognized over a weighted average period of 1.79 years.

During May 2009, the Company issued 800,000 non-employee options under the 2006 Equity Incentive Plan. The options were issued to consultants related to the fluorine extraction process. These options have an exercise price of

$0.32 per share, vest 20% on the first anniversary of the grant date, 20% on the second anniversary of grant date, and 30% per year thereafter and expire in May 2019. The options had a grant date fair value of $182,202 or $0.23 per share as calculated using the Black-Scholes option pricing model. In accordance with EITF 96-18, these options will be revalued using the Black-Scholes option pricing model each reporting period.

During May 2009, the Company issued 7,500,000 options to officers and directors under the 2006 Equity Incentive Plan. These options had a fair value of $1,697,292 or $0.23 per share as estimated on the date of grant using the Black-Scholes option pricing model. The options have an exercise price of $0.32 per share, vest 25% on the first anniversary of the grant date and 25% after each additional one-year period of continuous service and expire 10 years from the date of grant.

Restricted stock awards - During January 2009, the Company granted 1,243,563 shares of restricted stock to certain employees as part of their annual performance award and incentive under the 2006 Equity Incentive Plan. Each restricted stock award was 20% vested on the date of grant and will vest with respect to an additional 20% of the award on each anniversary thereof until fully vested. The restricted stock awards had a grant date fair value of $223,841. At the time of grant 20% of the shares, or 248,713 shares, were vested. Simultaneously, at the request of employees, 77,092 shares were withheld to pay taxes on deemed employee compensation.

A summary of the status of the restricted stock awards as of March 31, 2009, and changes during the three months ended March 31, 2009, is as follows:

| **Restricted Stock Awards** | **Shares** |
|---|---|
| Non-vested at December 31, 2008 | - |
| Granted | 1,243,563 |
| Vested | (248,713) |
| Forfeited | - |
| Non-vested at March 31, 2009 | 994,850 |

The value of non-vested stock under the 2006 Equity Incentive Plan at March 31, 2009 is $348,198 and is based on a March 31, 2009 value of $0.35 per share. As of March 31, 2009, there was approximately $127,924 of unamortized deferred compensation that will be recognized over a weighted average period of 2.3 years.

Compensation expense charged against income for stock based awards during the three months ended March 31, 2009 was $112,809, as compared to $87,672 for the three months ended March 31, 2008, and is included in general and administrative expense in the accompanying financial statements

(7)

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, which controls the reactor operations and, therefore, controls the continued production of cobalt in the government funded reactor. Nuclear Medicine Reference and Calibration Standard manufacturing is conducted under an exclusive contract with another of our customers, RadQual, LLC, which in turn has an agreement in place with several companies for distributing the product. Sale of iodine radiochemical is dependent upon continued supply of the material from a single source in South Africa. A loss of any of these customers or suppliers 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 an NRC operating license and has amended this license several times to increase the amount of material permitted within the facility. Additional processing capabilities and license amendments could be implemented that would permit processing of other reactor produced radioisotopes by the Company but this license does not currently restrict the volume of business operation performed or projected to be performed in the coming year. An irrevocable, automatic renewable letter of credit against a Certificate of Deposit at Wells Fargo Bank has been used to provide the financial assurance required by the NRC for the Idaho facility license.

(8)

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 Standards, Cobalt Products, Radiochemical Products, Fluorine Products, Radiological Services, and Transportation. Information regarding the operations and assets of these reportable business segments is contained in the following table:

| | Three Months ended March 31, | |
|---|---|---|
| Sale of Product | **2009** | **2008** |
| Radiochemical Products | $ 348,771 | $ 318,408 |
| Cobalt Products | 738,280 | 270,528 |
| Nuclear Medicine | 488,986 | 447,410 |
| Radiological Services | 80,353 | 245,722 |
| Flourine Products | 878 | - |
| Transportation | 42,402 | 25,870 |
| Total Segments | 1,699,670 | 1,307,938 |
| Corporate revenue | - | - |
| Total Consolidated | $ 1,699,670 | $ 1,307,938 |

| | Three Months ended March 31, | |
|---|---|---|
| Depreciation and Amortization | **2009** | **2008** |
| Radiochemical Products | $ 9,923 | $ 11,326 |
| Cobalt Products | 26,163 | 22,319 |
| Nuclear Medicine | 568 | 846 |
| Radiological Services | 2,600 | 813 |
| Flourine Products | 50,440 | 40,846 |
| Transportation | 6,020 | 4,591 |
| Total Segments | 95,714 | 80,741 |
| Corporate depreciation and amortization | 5,946 | 12,804 |
| Total Consolidated | $ 101,660 | $ 93,545 |

| | Three Months ended March 31, | |
|---|---|---|
| Segment Income (Loss) | **2009** | **2008** |
| Radiochemical Products | $ 56,012 | $ 6,332 |
| Cobalt Products | 361,400 | 195,274 |
| Nuclear Medicine | 228,296 | 173,970 |

| | | | | |
|---|---|---|---|---|
| Radiological Services | | 59,438 | | 173,756 |
| Flourine Products | | (675,500) | | (288,355) |
| Transportation | | (16,452) | | (34,959) |
| Total Segments | | 13,194 | | 226,018 |
| Corporate loss | | (601,121) | | (691,962) |
| Net Loss | $ | (587,927) | $ | (465,944) |

| | Three Months ended March 31, | | | |
|---|---|---|---|---|
| Expenditures for Segment Assets | | **2009** | | **2008** |
| Radiochemical Products | $ | - | $ | - |
| Cobalt Products | | - | | 118,000 |
| Nuclear Medicine | | 9,730 | | - |
| Radiological Services | | - | | 48,795 |
| Flourine Products | | 29,188 | | 1,636 |
| Transportation | | 47,321 | | - |
| Total Segments | | 86,239 | | 168,431 |
| Corporate purchases | | 0 | | 3,259 |
| Total Consolidated | $ | 86,239 | $ | 171,690 |

| Segment Assets | March 31, 2009 | December 31, 2008 |
|---|---|---|
| Radiochemical Products | $ 313,710 | $ 312,049 |
| Cobalt Products | 3,090,536 | 3,110,486 |
| Nuclear Medicine Standards | 498,470 | 439,832 |
| Radiological Services | 112,591 | 55,042 |
| Flourine Products | 2,023,082 | 2,044,333 |
| Transportation | 94,696 | 52,720 |
| Total Segments | 6,133,085 | 6,014,462 |
| Corporate assets | 3,323,864 | 3,925,857 |
| Total Consolidated | $ 9,456,949 | $ 9,940,319 |

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

*This Quarterly Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and within the safe harbor provisions 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; 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-K for the fiscal year ended December 31, 2008 filed with the securities and Exchange Commission on March 26, 2009. 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, 2009, and 2008.*

Revenues for the three-month period ended March 31, 2009, were $1,699,670 as compared to $1,307,938 for the same period in 2008, an increase of $391,732, or 30%. The increase in total revenues for the three-month period was attributable to strong performance in cobalt, nuclear medicine, and radiochemical product business segments. Since the timing of large bulk cobalt product sales during the course of the calendar year has a significant impact upon period comparisons management believes that excluding sales of bulk cobalt product from the period comparisons of revenues provides useful information to investors.

Excluding bulk cobalt sales, revenues for the three-month period ended March 31, 2009, were $1,205,009 as compared to $1,307,938 in 2008, which represents a decrease of 7.9%. Please refer to the following tables for a further analysis of this measure:

**Three-Month Financial Measure Reconciliation**

| | **Period ended March 31, 2009** | **Period ended March 31, 2008** |
|---|---|---|
| Total Revenues | $1,699,670 | $1,307,938 |
| Bulk Cobalt Products Revenues | $494,661 | $0 |
| Total Revenues Excluding Bulk Cobalt Products Revenues | $1,205,009 | $1,307,938 |

Revenues from the sale of radiochemical products for the three-month period ending March 31, 2009, were $348,771 compared to $318,408 for the same period in 2008. This represents an increase in revenue of $30,363, or about 10%. Increases in the segment performance are attributable to increased sales of radiochemical iodine-131. Revenues from nuclear medicine products for the three-month period ending March 31, 2009 were $488,986 compared to $447,410 for the same period in 2008. This represents an increase in revenue of $41,576, or about 9%. Revenues from radiological services segment for the three-month period ending March 31, 2009, were $80,353 compared to $245,722 for the same period in 2008; a decrease of $165,369 or 67%. The decline in this segment s revenue was largely attributable to a decline in the volume of gemstone processing. Current economic conditions are having a negative impact upon the gemstone industry which directly affects this segments performance. Revenues from fluorine products segment for the three-month period ending March 31, 2009, were $878 compared to $0 for the same period in 2008. This small amount of revenue resulted from the sale of an initial qualification lot of material to our prospective customer.

Gross profit for the three-month period ended March 31, 2009, was $868,934 compared to $698,402 for the same period in 2008. This represents an increase of $170,532 or 24%. Operating expenses increased to $1,440,134 for the three-month period ended March 31, 2009, compared to $1,145,507 for the same period of 2008. This represents an increase of $294,627 or 26%. Operating costs have increased in the period comparisons due to increased general, administrative and consultant expense related to engineering design, and licensing efforts to support the planned depleted uranium de-conversion and fluorine extraction process facility. This includes fluorine extraction pilot plant demonstrations, efforts related to raising additional capital, and the consulting services of our subcontractor, Advanced Process Technology Services (APTS). We also realized a significant increase in stock based compensation expense. Salaries and contract labor expenses for the three-month period ended March 31, 2009 were $536,054 as compared to $512,612 for the same period of 2008. General administrative expenses totaled $898,645 for the three-month period ended March 31, 2009 as compared to $617,167 for the same period of 2008.

Our net loss for the three-month period ended March 31, 2009 was $587,927 compared to a loss of $465,944 for the same period in 2008. This is an increase in loss of $121,983 or 26%, and was attributable to increases in general, administrative and consultant costs related to the support and continued development of the license application and plant design of the planned depleted uranium de-conversion and fluorine extraction processing facility.

Interest expense for the three-month period ended March 31, 2009, was $39,128 as compared to $36,169 for the same periods in 2008.

LIQUIDITY AND CAPITAL RESOURCES

On March 31, 2009, we had cash and cash equivalents of $1,559,246. For the three-months ended March 31, 2009, net cash used in operating activities was $476,368. We used $87,217 for investing activities and $26,509 for financing activities during the three-months ended March 31, 2009.

At March 31, 2009, the Company had two outstanding loans with Compass Bank. One loan carries an outstanding balance of $100,228 with an interest rate of 9.25% and matures September 15, 2011. The

second loan, which matured March 31, 2009, and was renewed April 20, 2009, has an outstanding balance of $527,844 with an interest rate of 7.25%.

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 21,533,331 Class E and F warrants outstanding.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The Company has established 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 )) to ensure that material information relating to the Company is made known to the officers who certify the Company s financial reports and to other members of senior management and the Board of Directors. These disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ( SEC ) rules and forms. Under the supervision and with the participation of management, including the principal executive officer and principal financial officer an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2009 was completed based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company s disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the 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.

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.

### Changes in Internal Control over Financial Reporting

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

## 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 April 28, 2005).

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)).

4.1

Form of Class E Warrant (incorporated by reference to Exhibit 4.1 of the Company's Current Report of Form 8-K filed on April 21, 2008).

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.

32.1

Certification by the Chief Executive Officer furnished pursuant to 18 U.S.C. Section 1350 adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2

Certification by the Chief Financial Officer furnished 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<br>Steve T. Laflin<br>President and Chief Executive Officer |
| By: | /s/ Laurie McKenzie-Carter<br>Laurie McKenzie-Carter<br>Chief Financial Officer |

Date: May 15, 2009

**EXHIBIT INDEX**

**Exhibit**

**Number**

**Description of Document**

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