

ISM INTERNATIONAL INC
FINANCIAL STATEMENTS

June 30,2012

**FINANCIAL AND ACCOUNTING SERVICES
1479 BELCHER ROAD S SUITE N
LARGO FL 33771**

Engagement Letter

To the Shareholders of ISM International Inc

I have reviewed the balance sheet of ISM International Inc as of June 30, 2012 and the statements of operations and retained earnings, statement of cash flows and statement of changes in shareholders equity for the periods ended June 30, 2012 and June 30, 2011. My review was made in accordance with generally accepted accounting standards for review engagements and accordingly consisted primarily of inquiry, analytical procedures and discussion related to information supplied to me by the company.

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with generally accepted accounting principles.

Kenneth E Westlin
July 21, 2012

ISM INTERNATIONAL INC

June 30, 2012

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ISM INTERNATIONAL INC
BALANCE SHEETS
Unaudited

	June 30		June 30
	2012		2011
ASSETS			
Current Assets			
Cash	\$ 775	\$	380
Inventory	12,675		
Prepaid Rent to be used in one year	85,000		
Total Current Assets	98,450		380
Fixed Assets			
Furniture and Fixtures	8,315		
Equipment and Software	12,250		
Total Fixed Assets	20,565		
Other Assets			
Prepaid Rent to be used in year two	85,000		
Investment in Movie Studio	5,000		
License Agreement	1,540,000		1,540,000
Organizational Expenses	297,908		297,908
Goodwill	16,260		
Total Other Assets	1,944,168		1,837,908
Total Assets	\$ 2,063,183	\$	1,838,288
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current Liabilities			
Accounts Payable	\$ 13,882	\$	9,157
Total Current Liabilities	13,882		9,157
Shareholders Equity			
Capital Stock	35,690		29,240
Additional paid in Capital	2,429,689		2,186,639
Deficit	(416,078)		(386,748)
Total Shareholders Equity	2,049,301		1,829,131
Total Liabilities and Shareholders Equity	\$ 2,063,183	\$	1,838,288

The accompanying notes are an integral part of these statements

ISM INTERNATIONAL INC
STATEMENT OF CASH FLOWS
Unaudited

For the Six Months
Ended June 30
2012 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss)/Income	\$ (26,449)	\$ (8,852)
Changes in assets and liabilities		
Accounts payable and accrued liabilities	(750)	(47,019)
Assets Acquired	(172,490)	
Net cash (used in) provided by operating activities	(199,689)	(55,871)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from issue of common shares	200,000	56,176
Net cash from financing activities		56,176

Net (decrease) increase in cash and cash equivalents	311	305
Cash and cash equivalents at beginning of period	464	75
Cash and cash equivalents at end of period	\$ 775	\$ 380

ISM INTERNATIONAL INC
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(UNAUDITED)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2012	2011	2012	2011
Sales	\$ 6,000	\$ 0	\$ 14,441	\$ 0
Cost of Sales		0	0	0
Gross Profit	\$ 6,000	\$ 0	\$ 14,441	\$ 0
General and Administrative Expenses				
Accounting	\$ 1,250	\$ 500	\$ 4,250	\$ 3,000
Advertising	392		1,340	
Office and Administration	1,330	468	1,330	936
Corporate Fees	4,944		9,544	
Development Expense				
Directors Fees				
Legal Expense	3,000		3,000	
Miscellaneous	183		451	
Publicity and Promotion	13,025		14,075	
Rent and Utilities	3,345	2,377	5,990	4,916
Telephone			910	
Travel Costs				
Total Expenses	27,469	3,345	40,890	8,852
Net (Loss) Income	\$ (21,469)	\$ (3,345)	\$ -26,449	\$ (8,852)
Retained Earnings (Deficit) at beginning of period	\$ (394,609)	\$ (377,896)	\$ -389,629	\$ (377,896)
Retained earnings (Deficit) at end of period	\$ (416,078)	\$ (381,241)	\$ -416,078	\$ (386,748)

ISM INTERNATIONAL INC
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – Summary of Organization and Significant Accounting Policies

Organization

ISM International (the company) was incorporated in Delaware May 2005. During 2005 the company agreed to purchase a 100 % ownership in a Canadian corporation called ISM Developpement Strategique, Inc for restricted common shares the company specialized in the design, engineering, fabrication and distribution of thematic displays in shopping malls and retail stores in Canada. The financial operations of the Canadian company were never consolidated with ISM International Inc. The sale was finalized in January 2006. The Canadian Company was subsequently divested in 2011 with the return of the original shares issued.

The Company purchased ISM Investments Inc in 2011. ISM Investments Inc owns and operates a Flea Market in Clearwater FL. Operating results for ISM investments have been consolidated in these statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make and assumptions that reflect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Because there are numerous uncertainties inherent in the estimation process, actual results could differ from estimates.

Revenue Recognition

The company is recognizing and recording revenue and expenses on an accrual basis. To date its sole revenue source is from a recently acquired subsidiary ISM Investments Inc which operates a 12,000 sq ft flea market in Clearwater FL.

Concentration of Credit Risk

As of the date of these statements the company has only a relatively small amount of accounts payable outstanding, which is not considered to be a serious credit to the company. The Company however must raise capital in order to proceed with its long range development plans.

Property and Equipment

The acquisition of ISM Investment Inc in 2011 has resulted in the acquisition of Furniture and Fixtures in the amount of \$ 8,315, Equipment and Software in the amount of

\$ 12,250 and Inventory in the amount of \$ 12,675. No depreciation has been provided for in the current financial statements.

Accounting Policies

The company records financial transactions in accordance with generally accepted accounting principles and GAAP requirements and policies.

NOTE B- INVESTMENTS

In 2005 the company entered into a sale and exchange of shares agreement to purchase 100% of the shares of a Canadian company ISM Developpement Strategique, Inc. The purchase consideration was \$ 542,300 to be paid by the issuance of restricted common shares of ISM International Inc in January of 2006.

In June of 2011 the Canadian subsidiary was divested from ISM International Inc and returned to the original owners. This was accomplished by the return to treasury of the restricted common shares originally issued for the purchase.

In 2011 the company purchased ISM Investment Inc for \$ 45,000 paid for thru the issue of 1,450,000 restricted common shares.

In 2012 the company acquired a significant interest in a Movie production company called Instigator Studios. Instigator Studios is currently in production of a full length movie expected to gross substantial income.

NOTE C- LICENSE AGREEMENT

In November, 2006 the company acquired a 10 year License Agreement to manufacture and market a number of proprietary formulations related to a unique organic, non acetone, non ethyl acetate, non alcohol based nail polish, glue, resin and enamel remover patented and trademarked under the name Biosolvent. These products will be marketed to drug, beauty, food and retail merchandising outlets. The market is currently a \$ 5 billion industry in the United States. Management projects a potential to capture up to 5% of this market in the next several years. The purchase consideration was \$ 1,540,000 paid by the issuance of 12,688,925 restricted common shares of the company.

NOTE D – STOCKHOLDERS EQUITY

The company was incorporated with an authorized share capital of 7,500 common shares having no par value. On December 12, 2005 the authorized share capital of the company was amended to 50,000,000 common shares with a par value of \$ 0.001 per share.

As of June 30, 2012 there were a total of 35,691,042 common shares issued and outstanding having a par value of \$.001.

The following share issues have been made since incorporation:

1. In January and March of 2006 174,125 free trading shares and 142,467 restricted shares were issued to officers and relatives for cash at a price of \$.001 per share.
2. In January 2006 a total of 6,423,611 restricted shares were issued to the president at an approximate price of \$.10 per share as payment for the acquisition of ISM Developpment Stratigique Inc and payment of a note payable in the amount of \$ 106,250.
3. In February 2006 2,500 free trading and 2,500 restricted shares were issued for \$.50 per share for services rendered to assist in the organization of the company.
4. In October 2006 100,000 free trading shares were issued to an outside firm for services rendered in the organization of the company.
5. In October 2006 900,000 free trading shares were issued to settle accounts payable in the amount of \$ 22,300 covering organizational expenses.
6. In November 2006 a total of 12,688,925 restricted shares were issued at an approximate price of \$.12 per share. to acquire a 10 year License Agreement to manufacture and market various proprietary patented products.
7. During the latter part of 2006 1,270 restricted shares were issued to 254 individual shareholders at a price of \$.05 per share
8. In November 2007 750,000 restricted shares were issued at an approximate price of \$.10 per share for services rendered in the organization and share structure of the Company.
9. In December 2007 300,000 restricted shares were issued for services rendered in the preparation of filings to register the Company for public share issues.
10. In December 2007 300,000 restricted shares were issued for consulting and advisory services rendered to the Company at an approximate price of \$.10 per share.

11. During the period September to December 2007 409,000 shares were issued at a value of \$.086 per share.
12. In January 2008 700,000 shares were sold for cash under a Reg D (504) issue.
13. In January 2008 100,000 shares were issued as payment for organizational services in the amount of \$ 20,250.
14. In January 2008 2,500,000 shares were issued as compensation for past board of director services by the president.
15. In January 2008 2,500,000 shares were issued as compensation for past board of director services by the vice president.
16. In January 2008 2,500,000 shares were issued as compensation for past board of director services by the chief executive officer..
17. In January 2008 1,640,155 shares were issued to repay corporate expenses covered personally by the chief executive officer of the company.
18. In January 2008 1,000,000 shares were issued for publicity and promotional services.
19. In January 2008 330,000 shares were issued for the acquisition of a marketing and distribution license for the "SwatBra".
20. In February 2008 100,000 shares issued for organizational services rendered.
21. In June 2008 1,500,000 shares were sold for cash under a Reg D (504) issue.
22. No shares were issued during 2009 and 2010.
23. In March 2011 600,000 restricted common shares were issued to reimburse the holder of \$56,176 in outstanding accounts payable as of December 31,2010.
24. In May 2011 6,423,611 common shares were redeemed and cancelled as a result of the divestiture of the Canadian subsidiary.
25. In July 2011 1,450,000 restricted common shares were issued to purchase ISM Investment Inc , a Company operating a Flea Market and Mini Store complex in Clearwater FL.
26. In April 2012 1,700,000 restricted common shares were issued to secure an agreement for prepaid rent for a period of two years of 35,000 sq ft of space for the use of ISM International Inc and its Subsidiaries. The value of the transaction is \$ 170,000.

27. In May 2012 3,300,000 free trading common shares were issued under reg 504 for \$ 30,000 cash.

ISM INTERNATIONAL INC
Statement of Changes in Shareholders Equity

	Authorized	Common Stock Shares Issued No of Shares	Amount	Paid In Capital Amount	Retained Earnings (Deficit)	Total Shareholders Equity
Balance at December 31,2008	50,000,000	35,064,653	35,064	2,666,939	-344,386	2,357,617
No share transactions during 2009						
Operating income (Loss) for the period					(16,580)	(16,580)
Balance at December31,2009	50,000,000	35,064,653	35,064	2,666,939	-360,966	2,341,037
No shares were issued during 2010						
Operating Income (Loss) for the year					(16,930)	(16,930)
Balance at December 31,2010	50,000,000	35,064,653	35,064	2,666,939	377,896	2,324,107
March,2011 Issue of common shares as payment for outstanding accounts payable as of dec 31,2010 in the amount of \$ 56,176		\$600,000	\$600	\$55,576		\$56,176
May,2011 Return of shares to treasury due to dissolving the purchase of the Canadian Subsidiary(see accompanying notes to the financial statements).		(6,423,611)	(6,424)	(535,876)		(542,300)
July,2011 Issue of 1,450,000 restricted common shares for the purchase of ISM Investments Inc valued at \$ 49,500		1,450,000	1,450	48,050		49,500
Operating Income(Loss) for the year					(11,733)	(11,733)
Balance at December 31,2011	50,000,000	30,691,042	30,690	2,234,689	389,629	1,875,750
April,2012 Issue ofrestricted common shares for two years prepaid rent		1,700,000	1,700	168,300		170,000
May 22,2012 Issue of free trading common shares for cash		3,300,000	3,300	26,700		30,000
Operating income or (Loss) for period					(26,449)	(26,449)
Balance as of June 30,2012	50,000,000	35,691,042	35,690	2,429,689	(416,078)	2,049,301