

SKYE INTERNATIONAL, INC  
Form 10QSB  
August 14, 2006

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-QSB**

(Mark One)

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

**For the quarterly period ended June 30, 2006**

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: 000-27549*

**SKYE INTERNATIONAL, INC.**

(Exact name of Company as specified in its charter)

**NEVADA**

**88-0362112**

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

7150 West Erie Street, Chandler, Arizona 85226  
(Address of principal executive offices) (Zip Code)

Company's telephone number: (480) 889-9999

(Former name, address and phone number if changed since last report)

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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 Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

State the number of shares outstanding of each of the issuer's classes of common equity. As of June 30, 2006 - 20,688,493, \$0.001 par value.

Transitional Small Business Disclosure Format (check one): YES  NO



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## PART I. FINANCIAL INFORMATION

## ITEM 1 Financial Statements (unaudited)

**Skye International, Inc. and Subsidiaries**  
**CONSOLIDATED BALANCE SHEETS**

<u>ASSETS</u>	June 30 2006	December 31 2005
<b>CURRENT ASSETS</b>		
Cash	16,823	2,711
Accounts Receivable, Net	11,900	2,773
Inventory at Cost	85,760	25,069
Prepaid Expenses	223	757
<b>Total Current Assets</b>	<b>114,705</b>	<b>31,310</b>
<b>EQUIPMENT, NET</b>	<b>52,809</b>	<b>56,626</b>
<b>OTHER ASSETS</b>		
Patents and Software, Net	-	-
Deposits	120,000	20,000
Intangible Assets	3,982	-
<b>Total Other Assets</b>	<b>123,982</b>	<b>20,000</b>
<b>Total Assets</b>	<b>291,497</b>	<b>107,937</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>LIABILITIES</b>		
Accounts Payable	1,047,688	234,557
Other Payables	468,016	870,914
Notes Payable	918,241	1,118,241
Accrued Interest Payable	65,322	81,626
Warranty Accrual	34,570	34,570
Customer Deposits	103,371	103,371
	2,637,207	2,443,279
<b>Total Liabilities</b>	<b>2,637,207</b>	<b>2,443,279</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock authorized is 100,000,000 shares at \$0.001 par value.		
Issued and outstanding on March 31, 2006 were 18,413,231 shares, December 31, 2005 were 17,838,231		
	20,689	17,838
Common Stock Subscribed	65,000	275,000
Paid in Capital	8,755,729	7,436,333

Accumulated Deficit	(11,187,128)	(10,064,513)
Total Stockholders' Equity (Deficit)	(2,345,711)	(2,335,342)
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	291,497	107,937

The accompanying notes are an integral part of these statements

**Skye international, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
<b>Operating Activities</b>		
Net (Loss)	(1,122,615)	(801,271)
Depreciation/Amortization Expense.	4,803	18,558
Original Issue Dixscount	-	23,947
Changes in assets and liabilities:		
Inventory	(60,691)	(42,242)
Accounts Receivable	(9,127)	(73,148)
Prepaid Expense	534	-
Deposits	(100,000)	-
Accrued Interest Payable	(16,304)	(13,355)
Accounts Payable	813,133	208,743
Other Payables	(402,898)	-
Notes Payable	(200,000)	(157,500)
Customer Deposits	(0)	48,176
Intangible Assets	(3,982)	-
<b>Net Cash Provided by Operating Activities</b>	<b>(1,097,147)</b>	<b>(788,092)</b>
<b>Investing Activities</b>		
Option to Purchase JSS Security	-	-
Purchase of Equipment	(986)	-
<b>Net Cash (Used) by Investing Activities</b>	<b>(986)</b>	<b>-</b>
<b>Financing Activities</b>		
Shares issued for services rendered.	230,752	184,701
Shares issued to retire debt and interest.	226,493	171,945
Stock Subscriptions	(210,000)	75,000
Proceeds from Issuance of Subscribed Stock	210,000	-
Proceeds from sale of Common Stock	655,000	297,500
Principal Received on Convertible Debentures	-	20,000
Principal Received on Related Party Loan	-	60,000
<b>Cash Provided by Financing Activities</b>	<b>1,112,245</b>	<b>809,146</b>
<b>Net Increase/(Decrease) in Cash</b>	<b>14,112</b>	<b>21,054</b>
Cash, Beginning of Period	2,711	18,690
Cash, End of Period	16,823	39,744

Supplemental Information:

Taxes	-	-
Interest Expense	10,510	64,874

The accompanying notes are an integral part of these statements

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**Skye International, Inc. and Subsidiaries**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Mos. Ended June 30, 2006	Three Mos. Ended June 30, 2005	Six Mos. Ended June 30, 2006	Six Mos. Ended June 30, 2005
<b>INCOME</b>				
Product Sales	-	\$ 96,534	\$ 8,032	\$ 151,561
Other Income	2,871	6,264	5,471	6,264
<b>Total Income</b>	<b>2,871</b>	<b>102,798</b>	<b>13,503</b>	<b>157,825</b>
Cost of Goods Sold	13,225	15,004	14,299	37,826
<b>Gross Income</b>	<b>(10,354)</b>	<b>87,794</b>	<b>(796)</b>	<b>119,999</b>
<b>EXPENSES</b>				
Legal and Professional	234,506	36,802	691,448	56,081
General and Administrative	165,378	350,848	358,989	504,693
Research and Development	14,247	50,770	14,247	209,688
Advertising/Marketing	10,174	-	38,103	813
Loss on Disposal of Assets	-	-	-	-
Depreciation	2,897	9,179	4,803	18,357
Amortization	-	6,613	-	13,227
<b>Total Expenses</b>	<b>427,202</b>	<b>454,212</b>	<b>1,107,590</b>	<b>802,859</b>
<b>OTHER INCOME AND (EXPENSE):</b>				
Interest Income/Expense	5,598	53,537	14,229	118,411
	5,598	53,537	14,229	118,411
<b>Net (Loss) before Income Taxes</b>	<b>(443,154)</b>	<b>(419,955)</b>	<b>(1,122,615)</b>	<b>(801,271)</b>
Income Tax Expense	-	-	-	-
<b>NET (LOSS)</b>	<b>(443,154)</b>	<b>(419,955)</b>	<b>(1,122,615)</b>	<b>(801,271)</b>
Basic and diluted (loss) per share				